

EIGHT PAGES
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WEEKLY REVIEW
INSIDE TODAY

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Shultz mission fails to show progress

By MENACHEM SHALEV
Jerusalem Post Reporter
Secretary of State George Shultz told a press conference in Jerusalem yesterday that his mission in the Middle East has yet to show any progress. He is searching for "other possible ways" - in addition to the international conference idea - to bring Israel and Jordan to direct negotiations.

But *The Jerusalem Post* learns that the procedural formulas suggested by Shultz to Prime Minister Shamir during his three days of talks here all include an international "opening" to peace talks with Soviet participation. Shultz apparently regards suggestions of a prearranged interim solution involving Jordan, which would lead directly to negotiations with it - without any Soviet

role - as unrealistic. Thus, it was unclear last night whether Shultz's public statements meant that the U.S. had abandoned the international conference idea in light of Shamir's adamant opposition, or whether it was trying to secure Shamir's agreement to a formula, similar to the international conference in substance but not in name.

Shultz said that the sides were "continuing to scratch their heads" about how to achieve direct negotiations, and that meant "rearranging" ideas that had been raised in the past. "Maybe what we are talking about doesn't work," he said, and therefore "we have to look for other ways."

"An international conference as such doesn't have any particular interest for the U.S.," Shultz said. The only function of international "umbrellas, auspices or a conference" is to achieve direct negotiations which will achieve peace.

Sources in the Prime Minister's Office claimed that Shultz's visit has finally shown Foreign Minister Peres that "the international conference won't work" and that the sides are now exploring other "devices" for achieving direct negotiations.

Shultz held a final working meeting with Shamir last night, after he and his wife, Helena, had dinner with Yitzhak and Shulamit Shamir. Shultz implied that he considers Shamir's opposition to the conference idea as final. Saying that the prime minister's assessment of the risks involved in the international conference were "understandable,"

STORMS SWEEP MIDDLE EAST

At least four die as floods hit South



An Israel Air Force rescue helicopter crewman gets ready to extricate Beersheba residents trapped in yesterday's fierce flooding. (Scoop 80)

'Israel must take risks in the search for peace'

By BERNARD JOSEPHS
Jerusalem Post Reporter
REHOVOT. - U.S. Secretary of State George Shultz yesterday launched a thinly veiled attack on Prime Minister Shamir's peace policies and called on Israel to take risks in the search for a Middle East settlement.

The American statesman, in the most outspoken statement of his visit here, did not mention the premier by name; but his remarks seemed clearly designed to prod Shamir into dropping his blanket objection to an international Middle East peace

conference - or come up with a viable alternative.

"We know that no-one - not the U.S., not Israel, not the Arabs - improves the chances for peace by doing nothing at all, by just sitting around. Those who are reluctant to explore new ideas, those who resist old ones, have an obligation to offer something different as an alternative to the status quo," said Shultz.

Vice Premier Peres, who supports an international conference, sat beside Shultz in the Weizmann Institute auditorium yesterday where the

the Negev yesterday for a man who was apparently swept away by floods near Nahal Nikrot, and two youths, aged 21, who have been missing since Saturday evening in the Mt. Ramon region.

Two other young men and a 65-year-old woman from Khan Yunis died after they were hit by lightning there. An eight-year-old Beduin boy was found dead after a brief search in Beersheba.

One of the three missing persons, a young man, was swept away on Saturday night as he tried to rescue

Eight prominent Palestinians boycott Shultz

By ELAINE RUTH FLETCHER
Jerusalem Post Reporter
Eight prominent Palestinians boycotted a planned meeting here with Secretary of State George Shultz yesterday - and Shultz later said the

secretary of state was awarded an honorary PhD.

In his address, Shultz warned that "for as far ahead as we can see" tension will breed increasing instability and violence. "Today," he went on, "weapons once thought sophisticated are easier to make, cheaper to buy and harder to trace in an expanding global arms market."

"Iran's use of Chinese Silkorm and Soviet Scud missiles and the hideously growing use of chemical weapons on both sides of the Iran-Iraq conflict are grim examples."

Such problems, said the secretary of state, demanded urgent solutions. And, while they were not of Israel's making, "Israel must all the same take a leading part" in the search for solutions.

He continued: "Surely, there are risks in such a process. But equally surely there are risks to - and immense opportunities forgone by - Israel and its neighbours not accepting those risks. No-one helps the chances for peace by doing nothing."

"Each day must bring an exploration of ideas and a search of the imagination to break the deadlock."

(Continued on Page 2, Col. 4)



A small group of Palestinians demonstrate outside George Shultz's hotel in Jerusalem yesterday. (Reuters)

Worst weather in Britain since 1703

By DAVID HOROVITZ
Jerusalem Post Correspondent
LONDON. - Late last Thursday night, BBC weatherman Michael Fish told viewers in England: "A woman just rang in to say she'd heard there was a hurricane on the way."

"Well don't worry," he assured them, "there isn't."

Hours later, 192 kilometres per hour winds blasted across the south-east of the country, leaving at least 19 people dead, hundreds injured, thousands of buildings wrecked, and tens of thousands of homes without electricity.

Britain yesterday was still recovering from Friday's weather disaster - the worst since 8,000 died in a November 1703 hurricane.

Engineers were working to restore power to houses all over the south-east, trees were being winched out of roads, and farmers were doing their best to save areas of flooded land and to find new grazing areas for their livestock.

A major subject of conversation at the most tranquil of times, the weather has been positively obsessing Britain this past weekend, with the main talking point being the relatively small number of fatalities given the enormity of the damage

Another group of 12th-graders doesn't want to serve in areas

By LEA LEVAVI
Jerusalem Post Reporter
TEL AVIV. - Another 34 12th-graders - bringing the total up to 50 from 16 last month - have written to the defence minister saying they do not want to serve in the territories for reasons of conscience.

The letter sent yesterday was identical in wording to the one that the previous 16 sent on September 28. The objectors wrote: "We Israeli young people before induction into the IDF see Israel's rule in the occupied territories as a real danger to the future of Israeli democracy and society and a barrier to peace. We were all born after 1967 into a situation which has turned the IDF from a defence army into an occupying and repressive army. Service in the Israel Defence Forces is very important to us. Therefore we ask you, Mr. Defence Minister, to allow us to serve within the Green Line and not to compel us to participate in acts of oppression and occupation in the territories, because this is against the dictates of our conscience, and we cannot do it. If we are ordered to take part in acts of oppression, we will be forced to refuse."

More letters will follow, predicted Amir Lewenhoff, who signed the first letter and is spokesman for the conscientious objectors.

"We keep being contacted by more and more kids; when we were at the theatre festival in Acre, they approached us there, and others call us in response to articles in the papers."

In addition to the letters, the youngsters are circulating a petition which, they hope, the public will sign in support of their actions.

Eitan Haber, spokesman for the defence minister, said he had not yet received the letter and could not respond, though he imagined that the response would be the same as last time - namely, that the law requiring compulsory army service applied to all equally, and all soldiers would have to serve wherever the army needed them.

Carter invites Likud MKs to meet Arab, Chinese and Soviet officials

By MENACHEM SHALEV
Jerusalem Post Reporter
Likud MK's Dan Meridor and Ehud Olmert are the two Israelis invited by former president Jimmy Carter to participate next month in a Middle East "consultation" in Atlanta, Georgia, alongside top-level Arab, Chinese and Soviet officials.

Arab invitees to the conference include Jordan's Minister of Court, Adnan Abu Odeh; Egyptian Presidential aide Osama el-Baz; Iraq's Ambassador to Washington Abdul-

MANY WAYS TO MAKE A WISH.
ONE WAY TO MAKE
A WISH COME TRUE

London stands by int'l parley

Jerusalem Post Correspondent
LONDON. - A plea to the Thatcher administration from Yossi Ben-Aharon, director-general of the Prime Minister's Office, that it drop its support for an international conference and instead push King Hussein towards direct talks with Israel,

Hammer: Swedes key to Afghan peace

ISLAMABAD (Reuters). - U.S. oil magnate Armand Hammer said yesterday that a Swedish-led international peacekeeping force played a key role in his plans for an Afghan peace settlement. (See Kabul page 3).

Hammer said after meeting Pakistani leaders here that Sweden's deputy foreign minister "indicated that Sweden would accept such a role" during preliminary talks in Los Angeles.

Hammer, head of Occidental Petroleum, has visited Kabul, Moscow, Rome and now Islamabad in recent days in a one-man crusade to end the nine-year-old guerrilla war.

His plan centres on establishing a coalition government to take over after a withdrawal of an estimated

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Tel Aviv toasts end to garbage problems

By JONATHAN KARP
For The Jerusalem Post
TEL AVIV. - City Hall and municipal sanitation drivers signed a new contract yesterday, ending nearly six months of acrimony with a toast to better relations and a pledge to clear the garbage heaps away within a few days.

"It's signed and sealed," municipal spokesman Benny Cohen said after Eli Eshet, the city manager, and Arye Nitsan, chairman of the municipal workers' union, put their signatures on the agreement. "We hope that by the end of the week Tel Aviv will not be so ugly."

Echoing Cohen's optimism, Shalom Darhi, chairman of the drivers' committee, said his men would return to the job this morning and were willing to work around-the-clock to clean the city's streets.

Twelve days of sanctions and two days of rain have left the streets strewn with refuse.

Cohen said that the sanctions would certainly have led to Tel Aviv's worst garbage crisis had the municipality not handed out plastic garbage bags, which reduced the odor, and had the public not cooperated by using private vehicles to transport garbage to the huge dump east of the city. The municipality will continue to distribute the bags

הכרזה מן האול

India flies in more than 1,500 troops to join Jaffna battle against Tamils

COLOMBO (Reuters). — India said yesterday it was pouring up to 2,000 extra troops into heavy fighting against Sri Lankan Tamil rebels, increasing by up to a third its forces attacking separatist guerrillas holding the port city of Jaffna.

The Indian High Commission said between 1,500 and 2,000 troops had been flown in since Friday to join 6,000 soldiers and police battling the Liberation Tigers of Tamil Eelam (LTTE).

Another 6,000 Indian police and troops are deployed elsewhere on the island to enforce adherence to an Indo-Sri Lankan pact aimed at ending four years of violence between the minority Tamil and majority Sinhalese communities.

Estimates of the Indian peace-keeping force's total strength range from 16,000 up to 25,000. Indian officials estimate Jaffna is being defended by 2,500 LTTE guerrillas.

A commission spokeswoman said troops fighting in a built-up residential zone battled their way inside the city limits on one of three fronts of the Indian attack despite fierce opposition from guerrillas armed with rocket launchers and mortars.

Indian troops abandoned attempts to advance in armoured cars for fear of harming civilians forced by the Tigers to "come out in front of" the vehicles, the spokeswoman said.

She declined to elaborate. She

said she had no word on an All India Radio report that Tigers leaders had made a failed attempt to escape the city on Saturday night.

It was not clear if the reported attempt had been made by sea or boat. Indian and Sri Lankan naval gunboats patrol waters off the port, but political observers say the Tigers are continuing to supply their Jaffna bases from the sea.

Political observers said that despite the advance in the city's east the troops were still several kilometres from the centre of Jaffna, where electricity has been cut off and an estimated 130,000 remaining civilians are facing food shortages.

India also kept up its propaganda pressure on the Tigers, with politicians and officials demanding they lay down their weapons.

Political observers noted that reaction to the Indian assault on Jaffna has generally been muted so far in both Sri Lanka and India, which has a large Tamil community of its own.

An Indian official said peace-keeping force soldiers were coming under withering fire from snipers and guerrillas dug into bunkers and perched on platforms in palm trees.

Describing the Indian assault as "fighting with our hands tied behind our backs" for fear of civilian casualties, she said: "The simplest thing would be a lightning strike to raze



Sinhalese refugees from the violence in eastern Sri Lanka huddle inside a Buddhist temple in Colombo. Thousands have fled from the areas where Indian troops and Tamil rebels are engaged in fierce fighting. (AFP)

the whole thing to the ground." The spokeswoman said one Indian soldier had been killed and 32 injured in the past 24 hours, raising to 102 the number of Indians killed in the nine-day-old attack on Jaffna.

The rise from the last count of 80 was attributed to the confirmation of deaths of 21 Indians previously

listed missing.

She said 12 Tigers were killed, bringing the death toll to 527. Indian officials had previously said the toll was 507 and there was no immediate explanation for the discrepancy.

Civilian refugees were streaming out of the city in large numbers, she said.

U.S. credits Iran with 'lucky missile shot'

BAHRAIN (AP). — U.S. military sources said yesterday that the missile that wrecked a U.S.-flagged tanker was "from Iran's point of view, a lucky shot" that could have hit Kuwait's oil terminal complex or any one of several other ships in the area.

As Kuwait officials lodged a formal protest with Tehran, Iran's foreign minister all but acknowledged his country's responsibility for the incident and hinted at more of the same.

"What happened was foreseeable," Ali Akbar Velayati said in comments broadcast by Tehran Radio and monitored by the BBC.

The 81,283-ton oil products tanker Sea Isle City was severely damaged in Friday's dawn attack, by what U.S. officials said was a Chi-

nese-made Silkworm missile, fired from Iran-held territory in southern Iraq's Faw peninsula, 80 kilometres or more to the northeast.

Several crew members were injured, including the American captain and a Filipino sailor who were blinded, according to medical sources in Kuwait. Six remained hospitalized Sunday, they said.

"It was, from Iran's point of view, a lucky shot," said one source. "The missile was fired in the general direction of the Kuwaiti terminal. It had to hit something. Its radar guidance system just happened to pick up the Sea Isle City." The sources said U.S. and Kuwaiti explosives experts who inspected the ship on Saturday had established virtually beyond doubt that the missile was a Chinese-made Silkworm.

U.S. warships have various anti-

missile defenses, including jamming equipment to confuse the guidance system and "phalanx" Gatling guns that fire a stream of radar-guided, 20mm explosive shells at an incoming missile.

U.S. warships do not enter Kuwait waters, and there were none nearby at the time of the attack, U.S. sources said.

While the U.S. has warned it will respond to any attacks on U.S.-flagged shipping, officials hinted that the response could be tempered by the fact that the Sea Isle City was hit in Kuwaiti waters, and was not under U.S. protection.

Kuwait lodged a formal protest with Iran following an emergency session of the cabinet, and was further discussing appeals to the UN and other international bodies.

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Italian freighter headed for Dubai yields illegal arms haul

SAYQNA, Italy (AFP). — Italian police made their biggest ever arms haul, off a Qatari freighter in this northern Italian port Saturday. Nearly 14 tons of war material was seized on the 9,780-ton Fatul Kahir, which was headed for Dubai with 25 sailors and 17 officers on board.

Some 100 cases were found to contain 350 heavy machine-guns manufactured by the West German firm, Heckler and Koch. All recent

models, the guns weighed nearly 50 kilos each and were designed to be mounted on jeeps or speedboats. Machine-guns of this type are already in service in some NATO armies. Another 50 cases contained spare parts.

Investigators were still examining 357 other cases, which first reports said also contained weapons. The freighter, owned by the United Arab Shipping Company, had an Irish captain, John Scallan, aged 48.

The first officer was a 40-year-old Englishman whose name was given as Richard Waddy. The other officers were of several different nationalities — including four Iraqis and three Kuwaitis. The sailors were all Indians.

The officers told police they were not aware of the weapons on board. They said the vessel, which had no transport documents, was loaded in the northern English port of Liverpool, where the ship put in on Octo-

ber 5. But police said investigators were not satisfied because they had already established that the ship had also made earlier stop-overs in the French port of Le Havre, the West German ports of Bremen and Hamburg and in Antwerp, Belgium.

Saturday's seizure came only two days after the arrest in northern Italy of five people suspected of illegally smuggling arms to Iran and Iraq through third countries (Brazil, Singapore and Pakistan).

Commonwealth deadlock over sanctions against Pretoria

VANCOUVER (AP). — Commonwealth leaders ended their summit with Britain's Margaret Thatcher saying she had won the fight against South African embargoes and Cana-

dian Prime Minister Brian Mulroney claiming a victory for the sanctions lobby.

Despite a harmonious final communiqué issued Saturday on political and economic issues, a deadlock remained between Britain and the rest of the Commonwealth on South Africa.

In a final news conference, Mrs. Thatcher underlined the division by noting that the leaders had agreed during the five-day summit that no

new sanctions should be imposed. She said they also denounced as "terrorists" the African National Congress, headed by jailed South African leader Nelson Mandela.

Speaking for the rest of the 48-member association of Britain and its former colonies, Mulroney claimed the summit succeeded in strengthening the fight against apartheid. "This is the group which leads the world in terms of its impact against South Africa," the host leader said.

In his first counter-attack after a week-long barrage of British argument against new sanctions, Mulroney noted a "fairly open effort to discredit the value of sanctions at all, right from the beginning." But he said all Commonwealth leaders, except for Thatcher, had agreed on practical and moral measures on Friday, urging a wider implementation of existing embargoes, scrutiny of Pretoria's links with international bankers and an eight-member foreign ministers' group to guide anti-apartheid efforts.

Thatcher, claiming that sanctions make the government of South Africa more intransigent, termed the ab-

sence of any specific new measures "implicit recognition that further progress can't be made down that path."

Thatcher had argued that tough sanctions would put hundreds of thousands of people out of work, including some of the 1 million blacks from neighbouring countries who go to South Africa for jobs and better pay.

She also gave a different slant to the issue of Fiji's membership in the Commonwealth. The Pacific island's membership lapsed following a military coup and the declaration of a republic.

Thatcher said the Commonwealth includes 26 other republics and at least four military governments, and added that the group should stand ready to help Fiji rejoin.

Mulroney, however, condemned the declared intent of coup leader Col. Rabuka to entrench political control for Fiji's native Melanesian minority, which is outnumbered by ethnic Indians who formed the last

Kabul finds reconciliation policy faces difficulties

MOSCOW (AFP). — Afghan leader Najibullah told a ruling party congress in Kabul yesterday that his "national reconciliation" policy was running into difficulties, but said contacts were developing with representatives of the anti-government rebels, Tass reported here.

The Afghan leader told the opening session of a three-day Afghan Communist Party congress that the situation since the national reconciliation had been proclaimed last January was "more complicated" than previously thought. "The national reconciliation policy has not yet become irreversible," said Najibullah, who on Saturday had dismissed several senior officials associated with former Afghan leader Babrak Karmal.

Najibullah told the 677 delegates that 1,600 villages had gone over to the side of the authorities in the last 10 months. The government now controlled "more than one third" of inhabited villages, 45 towns and 214 districts and rural districts. The total number of towns and districts was not known, but Najibullah's statement appeared to indicate that the rest of the country was controlled by U.S.-supported rebels.

The Afghan leader said that the "second stage" of the National Reconciliation Party would focus notably on the formation of a coalition government, national elections and the election of a president, with the proclamation of a new constitution.

He said that while the ruling party would not lose its character as the "principle national force", contacts were underway to seek a compromise with right-wing elements, and "ministers of former regimes" had been offered governing posts. He also indicated that contacts were developing with representatives of the "alliance of seven" — Pakistan-based Afghan rebels.

Najibullah's statement came after U.S. businessman Armand Hammer said last week following talks with the Afghan leader and Pakistani President Mohammed Zia-ul-Haq that he had proposed General Abdul Wali, son-in-law of the deposed Afghan king living in exile in Rome, as a future prime minister of Afghanistan.

Hammer said that Najibullah was favourable to the suggestion, along with the appointment of non-Communists to 23 ministerial posts.

Yesterday, Najibullah said that in the 10 months since Afghan authorities decided to embark on a policy of national reconciliation, his government had made 14 statements offering compromises and concessions.

The Afghan leader also noted that "not a single point" of a rebel manifesto, adopted by the alliance of seven in the wake of the government's national reconciliation policy, had been implemented. Future contacts "with the U.S.-backed Afghan rebels needed to attract 'moderate and neutral forces' to normalize the situation in the country," he said.

Spain's Mayor chosen as new chief of Unesco

PARIS (AFP). — Federico Mayor of Spain was nominated Sunday to be the next director general of the U.N. Educational, Scientific and Cultural Organization (Unesco) by the organization's executive board. Mayor, 53, was elected with 30 votes for and 20 votes against in an all-night meeting.

He was the only remaining candidate in the 12-day race that was the most bitter election battle in Unesco's 41-year history. His selection followed the withdrawal Saturday of the controversial outgoing chief, Amadou Mahtar M'bow of Senegal.

Mayor is a biochemist and former deputy director general of Unesco from 1978 to 1981. He was also Spanish education minister in 1981 and 1982 and special adviser to M'bow in 1983 and 1984.

The choice of the 50-member board will be submitted for approval to Unesco's general conference on November 7 in Paris.

The election came after a stormy all-night session of the board, with members arguing over how the vote should go ahead, despite the fact that there was only one candidate left for the \$170,000-a-year position.

African countries, backed by France, won their demand that delegates be given the chance to vote against the remaining candidate, Unesco sources said.

Other delegates, led by Western

countries opposed to M'bow, felt that a voting paper with Mayor's name and one blank paper was enough. The meeting, which started Saturday evening, was stopped four times for lengthy suspensions caused by the division on how to carry out the fifth and final vote. Following the vote, the Senegalese delegate, Education Minister Ibader Thiam, assured Mayor of his most loyal support. Thiam, an active supporter of M'bow, had earlier sharply criticized the voting procedure.

Unesco sources said the row between African countries and France on the one hand, and other nations had been created by M'bow's withdrawal from the contest.

His retreat, which had been strongly urged by many Western countries who had threatened to withdraw from Unesco if he was re-elected, left an unprecedented situation with only one candidate in the final round of voting. M'bow, 66, headed Unesco for two consecutive terms since 1974, but had been accused of an anti-western bias and responsibility for a bloated administration. The accusations led to the United States, Britain and Singapore pulling out of the organization in 1984 and 1985 respectively, leaving Unesco funds seriously depleted.

(See Report on Areas, page 4)

Cat's appetite takes women to court

STOCKHOLM (Reuters). — Two Swedish women are locked in a court battle over the appetite of a dead cat.

Its former owner vowed on Sunday to appeal against a court ruling that she must pay a \$50 grocery tab for cat food to another woman who bought her house and got the hungry feline in the bargain.

"The truth shall prevail, no matter the costs," the former owner, who preferred to remain anonymous, told reporters.

She said the house buyer had accepted custody of the cat, named Misan, as part of the deal.

But the buyer, who took the case to court after Misan had devoured 50 dollars' worth of food, says she had been promised reimbursement for feeding the cat until it could be put down.

Misan went to its death two months before the trial began in a district court at Hassleholm, a southern Swedish town, which also ordered the former owner to pay \$60 in costs.

Middle East Briefs

Arafat confers with Saddam Hussein on Arab summit

BAGHDAD (Reuters). — Palestine Liberation Organization (PLO) Chairman Yasser Arafat discussed next month's Arab summit with Iraqi President Saddam Hussein yesterday, PLO sources said.

They said that Arafat and the Iraqi leader also discussed international efforts to end the Iran-Iraq war.

The PLO leader, a regular visitor to Iraq, arrived in Baghdad on Friday and has also had talks with Foreign Minister Tariq Aziz.

The Arab summit is to open in Amman on November 8.

Iraq's population grows by a third in 10 years

NICOSIA (AP). — National census results show Iraq's population has grown to more than 16 million people, up 35 per cent in 10 years, the official Iraqi News Agency reported yesterday.

Authorities imposed a curfew all over Iraq on Saturday to facilitate the work of tellers gathering the statistics.

The agency, monitored in Nicosia, said that according to results, the population totaled 16,278,316. The male population numbered 8,364,873, slightly more than the female.

Egyptian Minister Ghali off for talks in Peking

CAIRO (AP). — Minister of State for Foreign Affairs Butros Ghali left yesterday for a one-week official visit to China for talks on bilateral relations and the convening of an international Middle East peace conference.

Ghali is scheduled to stop in Singapore today, before arriving in Beijing tomorrow.

He told reporters before he departed that he carried a message from President Hosni Mubarak to his Chinese counterpart Li Xiannian.

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WEEKLY REVIEW

Paradise Lost?

When It's Every Country for Itself, Pity the Markets

By LEONARD SILK

Is the world economy beginning to fall apart?

Wall Street, plunging into a downturn that many analysts and investors feared was the end of the big bull market of the last five years, behaved last week as though the center would not hold.

The drop for the week in the Dow Jones Industrial average of 235.48 points, or 9.49 percent, was a reaction to a gloomy trade report that was only one in series of symptoms of the precarious condition of the international economic system.

"Up to now, so many investors and the Administration have been living in what can only be described as a fool's paradise," said Geoffrey Bell, an international investment adviser. "This was based on hopes that the trade deficit would soon begin to show modest but significant improvement, and this would keep money flowing to the United States."

The August trade deficit of \$15.7 billion, or \$188 billion at an annual rate, dashed these hopes and led to a far-reaching fallout.

The prospect of a trade imbalance well above last year's \$160 billion raised anxieties that Congress, concerned about the loss of American markets and jobs, would enact a protectionist trade bill, thus intensifying world inflationary pressures.

The trade outlook also brought the dollar under heavy selling pressure from private traders — pressure that the Federal Reserve and foreign central banks sought to contain by buying dollars.

That drove up interest rates, as the markets and banks anticipated that a falling dollar would heighten inflationary forces in the United States.

Rising interest rates are feared like poison by both the stock and bond markets, since capital values tend to drop as rates rise. The bond market, less noticed by the general public, also plunged with the yield on

the 30-year Treasury bond, a bellwether for other bonds, landing above 10 percent.

Finally, the interest rate rise threatened problems for the national economy and was a reminder of smoking volcano in the world economy. At home, the prospect of slower spending by consumers and businesses raised worries about a recession in 1988, which most economists have not expected and which the Administration fears could cost the Republicans the White House in 1988.

Abroad, rising interest rates jeopardized the ability of the Latin American and other third world debtors to pay their bills, menacing the liquidity of some big American banks.

Dispute With Germans

In what looked like one more symptom of the precariousness of it all, Treasury Secretary James A. Baker 3d held a White House news conference to offer official reassurance. The Federal Reserve's decision not to raise the discount rate since its half-point hike on Sept. 4, he said, showed the Fed thought anxieties about inflation were overblown.

He also pointed to the economy's five years of steady growth, the low unemployment rate and relatively low interest rates.

He said the Federal budget deficit was getting better; at a little over \$150 billion this year it would be \$70 billion smaller than the record \$221 billion of last year. And the trade deficit, he said, was also improving, in volume terms, if not in current dollars.

To be sure, Mr. Baker added, not everything was right with the world. The United States wasn't getting the cooperation it had counted on from West Germany, he said, charging that four increases in an important German interest rate since July had violated "the spirit of our recent consultations." He seemed to be warning that the dollar may have to decline further, presumably hurting

other countries' exports.

The effort of the United States to stabilize the dollar without accepting its trade deficit as irreparable, and without thrusting its economy into recession, depends on the cooperation of the other industrial countries in holding their interest rates down and accelerating growth.

Mr. Baker is relatively satisfied, if not ecstatic, about the performance of the Japanese but bitterly unhappy with the West Germans. In the last three months, while the United States' Federal funds rate (which banks charge one another for short-

term loans) has been gone up 1.1 percentage points, the Japanese rate has gone up only one-tenth of 1 point and the West German rate has risen a full percentage point. The German economy continues to languish, with unemployment at nearly 9 percent.

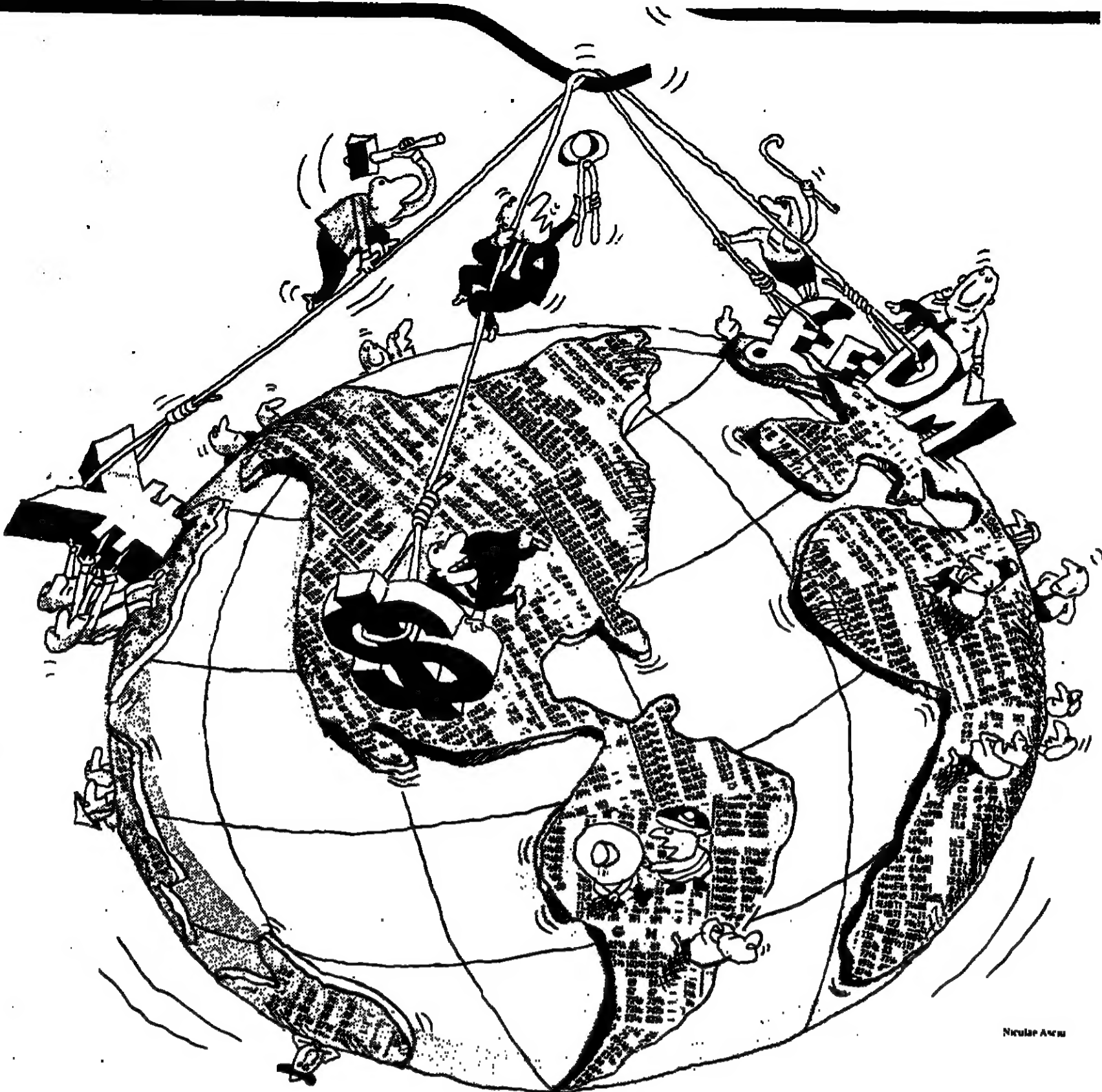
The Germans insist that "the markets" are lifting rates and, besides, Government and central-bank policy must be aimed at nipping incipient inflation in the bud. The problems of the United States, they insist, are of its own making. Despite this year's drop in the budget deficit, their belief — one that is shared by many econo-

mists and investors — is that little or no progress will be made in the coming two years, because the underlying deficit is rising and President Reagan refuses to accept tax increases or cuts in military spending.

It now begins to look as though the Administration sold itself a bill of goods on the cooperative arrangements worked out at various meetings of the Group of Seven industrial countries during the past year. The financial markets seem to recognize that where policies for spurring growth, opening up trade, holding down interest rates and stabilizing

exchange rates are concerned, it's every country for itself and the devil take the hindmost. In these circumstances, the plunge in Wall Street — by 95 points on Wednesday, 57 points on Thursday and an all-time record of over 100 points on Friday — did not seem irrational.

When the kissing stops among the allies, the money stops flowing on Wall Street and foreign capital stops flowing into dollars. That is the great danger that hangs over the American and the world economy — a danger that will take deeper and more genuine cooperative action to avert.



Nicolas Aron

Shultz Visits a Region Increasingly Drained of Hope

A Long Fuse Burns Slowly on Israel's Borders

By THOMAS L. FRIEDMAN

JERUSALEM
GEORGE P. SHULTZ flew into Israel last week to find the Middle East in a quite different mood from his last visit to the region two years ago. The most striking feature of Mr. Shultz's visit, as opposed to earlier tours, is a complete absence of the drama that normally attends a visit by an American secretary of state.

There is no sense of new possibilities about to unfold. To the contrary, there seems to be an overwhelming feeling, among both Palestinians and Israelis, that their intercommunal war is no longer a conflict on its way to a resolution, but rather a way of life. It seems to be no longer a problem, but a condition, which can occasionally be ameliorated but never cured.

In the last week alone, a Palestinian mother of five was shot in the West Bank by Israeli troops trying to quell a demonstration by supporters of Yasser Arafat; a newly married Israeli man was murdered in the Old City of Jerusalem by Arabs, and several thousand Palestinian Moslems nearly rioted when they thought they saw a group of Jews trying to pray near Moslem holy places on the Temple Mount in Jerusalem.

Yet most of these stories were only brief bursts on the news programs. It is not that Palestinians and Israelis do not care about their conflict any more; it is that they appear to be increasingly drained of hope of doing something about it. As a result many simply prefer to tune it out as best they can.

"Look at the killings last week — Jews, Arabs, but nothing moved people," said Galia Golan, a professor of Soviet studies at the Hebrew University and a leading Israeli peace campaigner. "It is either because we have seen it all before or we just know it is going to go on this way."

What is behind the sense of dead end? In Israel, the Likud-Labor coalition remains deadlocked on how to proceed on the peace process. This is a great advantage for the Likud Prime Minister, Yitzhak Shamir, for whom the status quo, with Israel in control of the West Bank and Gaza Strip, is the ideal situation. The Labor Party Foreign Minister, Shimon Peres, seems to have abandoned his efforts to bring about early elections, with the aim of getting Israel to the international peace conference that Mr. Shamir opposes. So there seems little prospect of new initiatives from Jerusalem until after the scheduled voting in November 1988. Both Labor and Likud officials believe Mr. Shultz has neither the will nor the inclination for a showdown that might push Mr. Shamir toward an international conference.

In an interview with the Jerusalem Post last week,

U.S. Concerns In Arab World

Saudi Arabia

Despite or because of fears they may be drawn into the Iran-Iraq war, the Saudis have been quietly assisting the American naval flotilla in the effort to keep Persian Gulf oil flowing to the West. Friends of Israel in Congress recently blocked the sale to the Saudis of Maverick missiles. But under terms of a compromise agreement arranged by the Reagan Administration, Saudi Arabia expects to buy replacements for F-15 fighter planes.

Syria

The American Ambassador, William L. Eagleton Jr., is back in Damascus after moves by Syria that Washington considered helpful in the anti-terrorism fight. But the United States is pressing for the expulsion of terrorists affiliated with Abu Nidal from bases in Syrian-controlled eastern Lebanon. Damascus may be apprehensive as Moscow, Syria's superpower ally, moves to broaden its ties throughout the region.



Secretary of State George P. Shultz with Foreign Minister Shimon Peres at welcoming ceremony in Israel.

Jordan

The United States is trying to enhance the influence of King Hussein of Jordan in the occupied territories in the West Bank as an alternative to the Palestine Liberation Organization. Washington is providing money to private groups for aid programs for Palestinians in the West Bank. Israel supports the effort. Secretary Shultz plans to discuss the moribund peace process with the King in London tomorrow.

Egypt

The United States props up Egypt's ailing economy with \$2.1 billion a year in economic and military aid, second only to the \$3 billion in American aid provided to Israel. Egypt wants more of the economic aid in cash and is pressing for reductions in interest rates on the military loans. Moscow, which is trying to improve relations with Cairo after a long freeze, is offering to forgive some of Egypt's debts for military hardware.

from Israel, many Palestinian leaders seem to prefer the moral superiority that grows out of being victims, and the ideological purity of holding maximalist positions, rather than the moral responsibility that grows out of compromising and making hard choices for their people.

As for King Hussein of Jordan, he apparently prefers his tacit alliance with Israel, which allows him to increase his influence in the West Bank at the expense of the P.L.O., as opposed to bold alternatives to the status quo.

The fact that a kind of monotonous routine now prevails in the Arab-Israeli conflict does not make it any less dangerous. "It just means that there is a very long fuse that is burning slowly," said Meron Benvenisti, an Israeli expert on West Bank affairs. "But as the riots on the Temple Mount indicated, the potential for a terrible explosion is always there."

Another striking change is the way in which the focus of attention in the Middle East is shifting from the Arab-Israeli theater to the Persian Gulf. The Palestinian-Jewish conflict seems to be slowly receding to its original nucleus and size, confined to the two communities inside Israel and the occupied territories, while the eastern Arab world is now fully engaged with the threat from radical Shiite Iran.

Today Teheran is the main preoccupation of the Arabs, not Israel and not the Palestinians, which was why Mr. Shultz scheduled a flight to Riyadh and meetings with Saudi leaders in the midst of his two-day stop in Israel. Even before Mr. Shultz touched down in Israel, his attention was being diverted to last week's missile attacks on tankers in Kuwaiti waters.

Finally, the other new feature greeting Mr. Shultz in the region is the Soviet profile. The Russians under Mikhail S. Gorbachev have adopted a new and rather subtle approach, with more reasonable and achievable objectives, said Ms. Golan, the Soviet specialist. "Shultz will find a Middle East that is much less frightened of the Soviet Union, particularly in the Gulf," she said. "What Gorbachev has tried to do is really adopt a more Western-style approach to foreign policy." She added, "He is not overtly seeking military bases or trying to expand the socialist camp; he recognizes the limits of that in the Middle East."

Instead, the Russians are primarily trying to cultivate decent and normal relations with as many nations as possible — from Kuwait, Oman and the United Arab Emirates along the Gulf, to Israel on the eastern Mediterranean. Through this low-key approach, Ms. Golan said, the Russians hope to increase their stature, broaden their options and insure that the United States, in the person of Mr. Shultz or his successor, will never again be able to operate in the region without taking Soviet interests fully into account.

Prime Minister Shamir made it clear that he opposes an international conference not because of the procedure, but because of the substance of what it might bring about. "The dispute over the international conference is about the conditions for peace," he said. "Labor's intention is to coerce the people of Israel, through the interna-

tional conference, to relinquish the territories" in Gaza and the West Bank.

Mr. Arafat, the Palestine Liberation Organization Chairman, meanwhile, continues his globe-trotting (last week, he was in Nouakchott, Mauritania), but how this is leading to a Palestinian homeland is not clear. As viewed

The World

Tamils Dashing Indian Hopes for Peace in Sri Lanka

By STEVEN R. WEISMAN

THE warfare in Sri Lanka last week turned the logic of India's original intervention upside down.

Only four months ago, Sri Lanka's army pressed an offensive against Tamil strongholds in the Jaffna peninsula. India stopped the Sri Lanka army offensive by air-dropping food to besieged Tamil areas and by sending a message to the Sri Lankan Government that it would not be allowed to achieve a military victory.

Now the supposedly neutral Indian troops are attempting to achieve just such a victory on behalf of Sri Lanka. Both countries seem to have embarked on a road with a completely unknown destination.

When Indian peacekeeping forces arrived in Sri Lanka last summer, officials hoped they would be home in six months. Now the number of Indian forces in Sri Lanka is estimated between 12,000 and 15,000; in the

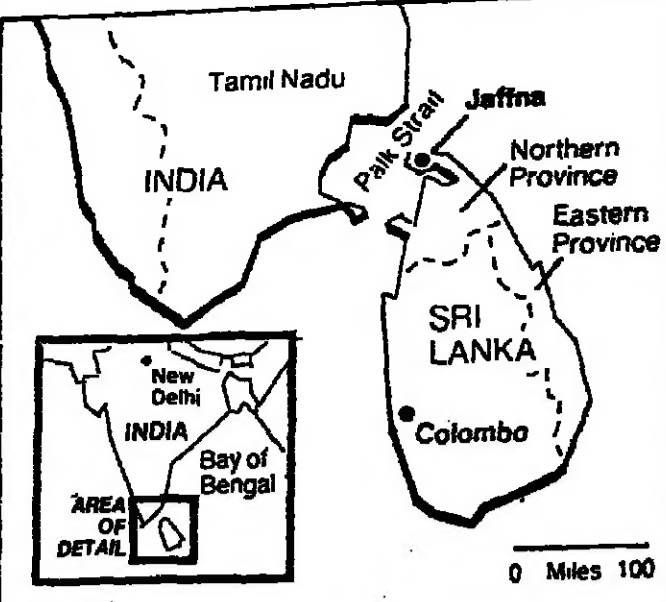
heavy fighting last week, scores of Indians and hundreds of Tamil rebels were killed.

Some commentators as a result have begun to speak of Sri Lanka as India's Vietnam. In an interview earlier this month, Prime Minister Rajiv Gandhi said, "I don't see ourselves getting bogged down or stuck," and he noted that India had been invited by Colombo to "maintain the peace" in Sri Lanka's north and east. "As long as we are called to do that, we will do so," he said.

Last summer in Sri Lanka, President Junius R. Jayewardene had welcomed India's intervention in his nation's ethnic conflict despite the fears of many of his advisers that it could turn into a long-term prospect. The President appeared to be convinced instead by those aides who argued that the Sri Lankan army had failed to achieve a military victory and had become such a hateful presence in Tamil areas that such a victory was no longer possible. "The military promised us that victory was always around the corner," a top aide to Mr. Jayewardene said at



A member of the Liberation Tigers of Tamil Eelam, the largest rebel group, in a jungle camp in Sri Lanka.



the chance that more than 15,000 Indian troops — twice as many as originally contemplated — may achieve no greater success in disarming the Tamil separatists than other forces have had in ending violence by Sikh extremists in the northern Indian state of Punjab.

The siege of Jaffna by Indian troops was clearly more prolonged than India wanted, according to reports from Colombo. Like the Sikhs, Tamil militants appear determined and sufficiently well-equipped to continue pressing for an "eelam," or separate nation for their people, whether or not the goal is shared by other Tamils.

If a violent stalemate continues, many experts also agree that Prime Minister Gandhi might have to escalate India's involvement, perhaps inflicting even greater casualties on the Tamil population in Sri Lanka.

In the event of a stalemate, the other potential alternative for Mr. Gandhi would be to withdraw from Sri Lanka in what would almost certainly be viewed as a humiliating admission of defeat.

However uncomfortable Indians are becoming over the idea of a long-term commitment in Sri Lanka, such a setback would likely be seen as even more unpalatable.

the time. "They never delivered, and finally we stopped believing them."

But when Indian army troops landed after the Indo-Sri Lanka peace accord July 29, more than one army official saw it as a tragedy of historic proportions. "Once they come, we'll never get them out," said one officer, expressing the fear that the result would be a de facto annexation of Tamil areas of Sri Lanka by India, with the possibility that these areas could eventually even be absorbed politically into the southern Indian state of Tamil Nadu, which means Tamil Homeland.

To many, absorption of part of Sri

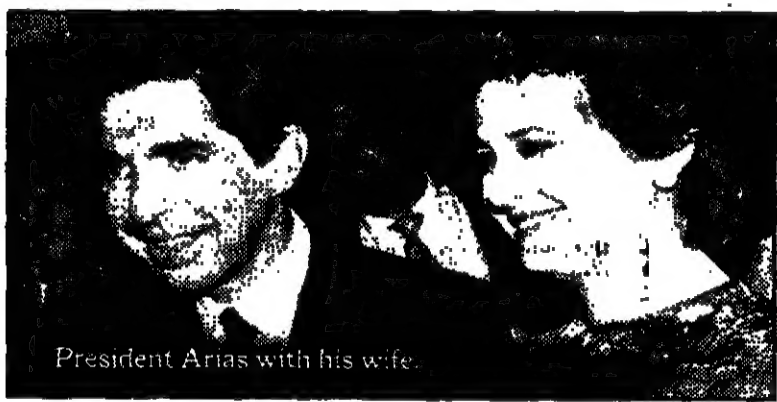
Lanka into India is an almost unthinkable prospect, because of the repercussions in other nations in the region. But on a reporter's tour of the Jaffna area in August, many Tamils said that if given the choice, they would rather be part of India than Sri Lanka. In this sense, Sri Lanka could become like Cyprus, permanently divided amid conflicting claims of its neighbors. Most Tamils are Hindus, while the Sinhalese majority is predominately Buddhist.

Other countries in South Asia have long been suspicious of India's motives in intervening in the first place.

But in the current situation, both New Delhi and Colombo are under great pressure at home to end Indian involvement quickly. Officials agree, however, that India can withdraw its troops gracefully only after it crushes the Tamil rebellion, arranges for an interim civilian administration and oversees elections in Tamil areas of the north and east.

After the Tamil guerrillas dropped earlier pledges to honor the accord, India felt it had no choice but to use force to implement its terms. Now other scenarios appear possible as the Sri Lanka fighting takes its toll on both sides. There is, for instance,

Nicaragua



President Arias with his wife.

Arias Fights for His Plan

AS the President of Costa Rica was being congratulated last week for winning the Nobel Peace Prize, the Reagan Administration was continuing to plan for the collapse of the peace agreement for which he was honored.

President Oscar Arias Sánchez won the Nobel for working out a plan designed to end the war in Nicaragua between the Sandinista Government and the United States-supported rebels, known as contras.

The agreement, signed two months ago by the presidents of five Central American countries, including Nicaragua, is supposed to take effect Nov. 7. But the Sandinistas refuse to negotiate a cease-fire with the political leaders of the contras. Instead, they have declared unilateral cease-fires in three parts of Nicaragua and said they would negotiate only with commanders in the field or with the United States.

The Administration view is that the Sandinistas are not adequately fulfilling the cease-fire provision of the agreement. To persuade them to fulfill this and other aspects of the agreement, the Administration wants Congress to approve \$270 million in new aid for the contras. The aid could be used to force the Sandinistas to negotiate a cease-fire, according to Administration officials. President Arias had ad-

vice for both sides last week. He urged the Congress not to approve the additional aid because, he said, this would give the Sandinistas an excuse to violate the agreement. But he told the Sandinistas that they should negotiate the cease-fire with the contra chiefs. Reacting to the award to Mr. Arias, Representative Jim Wright, the House Speaker, said it insured that Congress would not approve the request for new money for the contras "in a time of peace."

Another signer of the agreement, President José Napoleón Duarte of El Salvador was also active. The United States has supported Mr. Duarte's Government against the armed insurgency that wants to depose it. First, he hugged President Reagan and kissed the American flag; then he urged Congress not to approve new aid for the contras before January, to give the plan a chance to work. Later, when the subject came up again he seemed to back away, saying "I will not make any statement on contra aid." Administration officials said they are basing their strategy on the expectation that the Sandinistas will not negotiate the cease-fire with the contra leadership. Then, if the new aid was approved by Congress, the contras could resume fighting toward their goal of overthrowing the Sandinista Government.

JAMES F. CLARITY

Kind Words and \$197 Million for Peacekeeping

Why Russians Are Wooing the U.N.

By PAUL LEWIS

FOR decades the Soviet Union grumbled whenever the United Nations sent troops to keep the peace in trouble spots around the world, usually refusing to help with either men or money.

But suddenly Moscow is expressing a new enthusiasm for those distinctive blue-helmeted United Nations soldiers and the calming role they can play in tense situations, monitoring truces and keeping bellicose rivals from one another's throats. A month ago Mikhail S. Gorbachev, the Soviet leader, hinted that Soviet policy was changing as he wrote in Pravda that "wider use" should be made of multinational United Nations forces "in disengaging the troops of warring sides and observing cease-fire and armistice agreements."

Last week, Moscow put its money where its mouth was, volunteering to pay \$197 million in accumulated arrears toward the cost of United Nations peacekeeping operations it had refused to finance at the time they were set up. These include

the peacekeeping force put in the Middle East after the 1973 Arab-Israeli war; the force that has since 1974 been monitoring the Golan Heights between Israel and Syria, and the Southern Lebanon force established in 1978.

"The U.S.S.R. will meet its arrears in full for peacekeeping operations without any exceptions," the Soviet Deputy Foreign Minister, Vladimir P. Petrovsky announced.

Signs that the Soviet Union now wants the organization to play a bigger peacekeeping role first appeared a year ago, when Moscow unexpectedly agreed to help pay for the United Nations 5,700-member force in southern Lebanon that has been trying since 1978 to separate the Israelis and their Christian allies from the Palestine Liberation Organization. More recently, Soviet Foreign Minister Eduard A. Shevardnadze even suggested that the United Nations replace the United States and other Western navies in the Persian Gulf with a multinational fleet flying its own pale blue flag, though Washington rejected the idea, saying it was impractical and that it would increase Russia's influence in the region.

For many Western diplomats, Moscow's new in-

terest in the peacekeeping forces is part of a drive to give the United Nations a more effective role in resolving dangerous regional conflicts and preventing them from leading to a superpower confrontation. But these diplomats also think Moscow may want a stronger United Nations to help extricate it from numerous third world conflicts with a minimum loss of face. One such place might be Afghanistan, where Moscow has been encouraging the United Nations to negotiate a peace settlement between the Communist Government it is supporting, and the American-backed guerrilla forces opposing it. Such a settlement, and the establishment of a peacekeeping force, might enable the Soviet Union to remove the estimated 120,000 troops it has there. This kind of disengagement would also leave the Kremlin's leaders with a freer hand to concentrate their energies on modernizing their country's domestic economy. Other analysts, however, warn that the Soviet Union could be seeking a propaganda victory at America's expense, posing as the champion of internationalism at a time when the United States is growing increasingly disenchanted with this role. By agreeing to pay all its United Nations budget arrears, the Soviet Union puts its accounts square, something the United States has not done. "They are not incompatible aims," notes Brian Urquhart, who worked for decades on peacekeeping as the United Nations Under Secretary General for Special Political Affairs. "Moscow seems to want to develop an effective system for coping with dangerous third world conflicts. There could be a propaganda element in it. But let's give it a try. We've nothing to lose."

Congress Holding Back

Moscow is certainly warming to United Nations peacekeeping at a moment when United States enthusiasm for the world body is on the wane. The south Lebanon peacekeeping force faces a financial crisis and possible collapse because the United States refuses to pay its share of the peacekeeping operation, which was set up after American insistence in 1978. Congress has since restricted the funds for this and other United Nations activities.

While Moscow is now paying off all its outstanding debts to the organization, Washington currently owes it \$414.2 million, largely because Congress has been restricting how much it will give an organization that is widely viewed in Washington as wasteful and anti-American.

Moreover, Moscow's new interest in peacekeeping also comes at a time when new opportunities may be arising for United Nations forces to play a constructive role in some of the world's hot spots. Secretary General Javier Pérez de Cuéllar has received new Security Council instructions in his efforts to negotiate an end to the war between Iraq and Iran. If he succeeds, the cease-fire would probably require an impartial force to monitor compliance.

Dag Hammarskjöld, who as Secretary General did more than anyone to build up the organization's peacekeeping role, cheerfully admitted he was stretching the rulebook. Peacekeeping, he joked, was justified by "Chapter Six and a Half" of the Charter, meaning that it fell somewhere between the United Nations duty to promote the peaceful settlement of disputes as laid down in Chapter Six and its little-used right to enforce peace under Chapter Seven. But while the Soviet Union now favors an expanded peacekeeping role for the United Nations, the peacekeeping forces have suffered a number of setbacks in recent months. Apart from its financial problems, the south Lebanon force, for example, has been criticized by both sides for failing to deter aggression. And the United Nations force in Cyprus has been assailed by some for encouraging the rival Greek and Turkish communities to live apart instead of teaching them to live together. Meanwhile, the United States has experimented in Beirut with multilateral peacekeeping forces that were not under United Nations control. And the Organization for African Unity has tried similar all-African operations in Chad and Mozambique.



A Fiji soldier with the United Nations forces in Lebanon at a roadblock.

Verbatim: Missile Misjudgments

"Maybe he placed the missiles without any real planning, without knowing what will happen afterwards."

Fyodor M. Burlatsky

Speechwriter for Nikita S. Khrushchev, reassessing the 1962 missile crisis at Harvard University last week with advisers to President John F. Kennedy.

"I agree that to install the missiles on that island was adventurous because it did not take into consideration what would be the American response."

Sergel A. Mikoyan

Son of Anastas I. Mikoyan, Khrushchev's emissary to Fidel Castro.

System Is Rocked by Conflicting Demands

Liberal Universities Battle For Survival in South Africa

By JOHN D. BATTERSBY

SOUTH AFRICA'S liberal English-language universities are locked in a battle for survival, caught between the demands of growing numbers of non-white students and the Government's insistence on a society in which white supremacy makes only limited concessions. While providing forums for anti-apartheid conferences, and trying to promote a society open to all, the universities have clashed not only with the state, but also with sections of the liberal establishment and the English-language press.

Last week, the Government issued rules that threatened the schools with the loss of subsidies if they do not crack down on illegal anti-apartheid groups and activities. Dr. Stuart Saunders, head of the University of Cape Town, attacked the new measures, saying they were designed "to curb freedom of expression and dissent" and could "harm South African universities greatly, both nationally and internationally."

South Africa's 10 white universities — 4 English-language, 5 Afrikaans-speaking and 1 bilingual — are independent. The Afrikaans universities — with about 65,000 students, including only about 1,200 who are not white — have usually followed the Government's segregation policy.

The open schools are the white English-language universities (36,000 white and 9,000 nonwhite students) plus the University of the Western Cape, which has 7,000 students, most of them of mixed race. Until 1983, Government permission was required to admit each nonwhite. Then the schools united against racial quotas. The Government backed down and no longer controls registration.

The percentage of black students at the open universities has risen sharply, creating new challenges for these elite schools. At the University of the Witwatersrand, the largest university, the proportion of blacks has risen from under 4 percent in 1964 to about 18 percent.

An extraordinary event took place before the whites-

Enrollments at South African universities*

5 Afrikaans-speaking universities

63,800 whites
1,200 nonwhites**

4 English-speaking universities

36,000 whites
9,000 nonwhites

University correspondence courses (in Afrikaans and English)

51,000 whites
21,500 blacks
9,500 Indians
4,300 mixed race

1 bilingual university (courses in Afrikaans and English)

3,900 whites
300 nonwhites

9 black universities (courses in English and African languages)

35,151 blacks
273 whites
114 mixed race
48 Indians

1 mixed-race university (courses in Afrikaans and English)

6,000 mixed race
470 blacks
270 Indians
95 whites

1 Indian university (courses in English)

8,000 Indians

*1986 figures

**Nonwhites include black, mixed-race and Indian students

Source: SA Barometer and South African Consulate

only parliamentary election in May. A multiracial crowd of more than 2,000 students gathered at Witwatersrand to hear Winnie Mandela, the wife of Nelson Mandela, the imprisoned African National Congress leader.

She is a student at Witwatersrand, one of the open schools. The police prevented her from speaking and chased the waiting students. When 60 mainly white faculty members joined the crowd, they were bombarded with tear gas canisters.

The National Union of South African Students, the dominant student organization at the English-language schools, called on whites to question the consequences of participating in a white election. Black-led anti-apar-

theid and student organizations urged whites to consider whether they should participate in a system that excludes the black majority. Mrs. Mandela, it turned out, wanted whites to vote against the Government.

The student-inspired campaign led to a partial boycott of the elections, which angered white liberals such as the human rights campaigner Helen Suzman. She was re-elected to Parliament in the face of growing right-wing sentiment but said the boycott was partly responsible for her Progressive Federal Party's poor showing.

A few weeks earlier, Mrs. Suzman herself was barred from speaking at Witwatersrand. Fearful of student unrest in view of the student union's anti-election stand, the university had barred all political party speakers. Some Suzman supporters attacked that decision as a breach of free speech and Mrs. Suzman protested that she had been prevented from arguing the case for participating in the election, while people opposing the election had been offered a university platform.

Two-Pronged Attack

Heckling of speakers who do not espouse the anti-apartheid movement has become commonplace, sometimes erupting into violence. A. Michael Rosholt, the Witwatersrand chancellor and chairman of the Barlow Rand industrial conglomerate, offered a rationale for the excesses of the black radicals.

"These are breaches of freedom of association and speech and, as such, are unacceptable," he said. "But what must be taken into account is that the student very often comes from a community whose own meetings have been banned and many of whose leaders have either been detained or muzzled."

Mr. Rosholt asked: "Is it completely incomprehensible then that he should be unwilling to listen, for instance, to the views of someone he believes supports the system which has brought about this state of affairs?"

The efforts of liberal university principals such as Karl Tober of Witwatersrand, and Dr. Saunders of the University of Cape Town, have drawn a two-pronged attack. Old Guard liberals and some English-language newspapers have accused their schools of abandoning free speech and letting Marxist academics take over.

The Government, meanwhile, has threatened for months to withdraw subsidies unless the universities accepted demands for political discipline. Last summer, the English-speaking schools closed ranks against the restrictions. They were joined by the rector of the mixed-race University of the Western Cape, Jakes Gerwel, who calls his institution "the university of the left."

Professor Tober said already diminishing state subsidies and the needs of black students coming from inferior educational facilities were taking their toll on the university. At Witwatersrand, for example, some parents complain that scholarships and tutors for students from disadvantaged schools are draining diminishing resources at the expense of academic standards.

But Professor Tober says the university has a primary obligation to deal with change and innovation in South African society. "We had to recognize the criticism that this university was elitist in the eyes of some and that we were called upon to serve the society to a greater extent," he said.

The 2 Chinas



Taiwanese journalists Hsu Lu (left) and Lee Yung-teh sightseeing in Beijing last month.

A Mellowing Taiwan Sees A Different Mainland

By NICHOLAS D. KRISTOF

WHEN the Manchus toppled China's Ming Dynasty in 1644, supporters of the Ming emperors fled to southern China and the island of Taiwan, vowing that they would soon recover the mainland. They never did, of course, although the invading Manchus were gradually assimilated into Chinese society and culture.

When the Communists toppled China's Nationalist Government in 1949, supporters of the Nationalist leaders fled to Taiwan, vowing that they would soon recover the mainland. They have not, although some of the vitriol and dogmatism of the Communists seems to have dissipated.

Most analysts give Taiwan only a slightly better chance than the Ming emperors of regaining China. As that realization sinks in, tough questions are surfacing that go to the heart of the Republic of China, as Taiwan calls itself: What is to be done vis-à-vis the mainland? How long can the Government claim to be the legitimate ruler of all China? How long can it continue to refuse all contact with the mainland?

The contention that the Government here is China's Government may be maintained for the foreseeable future, but cracks have appeared in the facade. Last week, the ruling Nationalist party formally approved the lifting of the ban on visits to the mainland for family reunions. The Government is allowing publication of some mainland books. It is becoming easier to import traditional medicines that originate in China. There is talk here of cultural, scientific and sports exchanges, and some officials would even like to see trade and investment links.

Family reunions aside, the ban on visiting the mainland will continue. But officials here sometimes seem to suggest that the ban is mostly for show, to withhold legitimacy from the Communists, and will not be rigorously enforced. "It's very difficult to verify," said John H. Chang, the Vice Minister of Foreign Affairs. "If they say they went to see relatives, what can we do? So the tendency is to be more lenient." The increased leniency (people who have made visits to the mainland are no longer jailed) reflects a general mellowing. Martial law was lifted in July. New political parties have formed. The press is increasingly bold, anticipating the lifting of certain press restrictions on Jan. 1. Government film censors have relaxed, allowing the showing of "Daughter of the Nile," a recent film with an unflattering portrayal of Taipei.

In part, the new attitudes seem to reflect the same pressures for liberalization that have appeared in South Korea and Hong Kong. Extremely rapid economic growth — 7 percent a year per capita over the last 20 years, compared to 2 percent in the United States — has fostered a prosperous middle class that increasingly wants to participate in the political process. At the same time, the number of students in higher education has surged from 10,000 in 1953 to more than 430,000.

38 Years on the Island

An older generation that accompanied Chiang Kai-shek to Taiwan in 1949 is handing over power to a new generation — too young to remember the mainland, less ideological, and armed not with bazookas but with American Ph.D. degrees. Shaw Yuming, the new 49-year-old chief Government spokesman (Ph.D., University of Chicago), has books in his office that at one time could have been read only under the bed covers, including works from China and "The Soong Dynasty" by Sterling Seagrave, a harsh portrayal of Chiang Kai-shek. It is necessary, Mr. Shaw explains, to know your enemy.

While the younger generation is generally urging greater tolerance, there are concerns that this could also increase the pressure for Taiwan to declare itself independent, separate from China, perhaps after President Chiang Ching-kuo, son of Chiang Kai-shek, leaves the scene. The one thing Beijing and Taipei agree on wholeheartedly is that Taiwan is an integral part of China. However, the increased tolerance poses the risk that if people are allowed to say what they think, some — perhaps 25 percent, some analysts estimate — will say that Taiwan should be independent.

Moreover, the two Chinas are moving farther apart. For the vast majority of Taiwanese, the mainland is an ethereal place that they have never seen and never expect to see. The Nationalist Government lasted on the mainland from early in 1912 to the fall of 1949, a bit less than 38 years. On Oct. 1 the Communists celebrated 38 years of the People's Republic of China, which means the Nationalists have been on Taiwan longer than they ruled on the mainland.

Jaw Shookong, a legislator, says visits to the mainland and other contacts will make reunification more likely. "If we keep away from mainland China, we'll be moving toward independence," he argues. But while more people from Taiwan are now expected to make legal and illegal visits across the Taiwan Strait, a Western analyst here warns that they may find the economic and social gulf is too great to be bridged. Per capita income on Taiwan is more than 10 times higher than on the mainland. In a revealing comment, Hsu Lu, a journalist who made an illegal visit last month, said afterward: "I will never go back to mainland China as a reporter. It's too boring."

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Addressing a Republican Party fund-raiser in Whippany, N.J., last week, President Reagan didn't disguise his feelings about the opponents of Judge Robert H. Bork.

Reagan's Heart Winning The Battle for His Mind

By STEVEN V. ROBERTS

LET Reagan Be Reagan" has long been the cry of the President's conservative supporters. But last week in New Jersey, there seemed to be two Ronald Reagans addressing the question of the Supreme Court and his apparently doomed nomination of Judge Robert H. Bork. They took dramatically different tacks. Yet both could claim to be the real thing.

One Reagan delivered a speech to the New Jersey Chamber of Commerce in Somerset that was notable for its moderate tone — and for its difference from an advance text distributed that very morning.

The earlier version contained the charge that Judge Bork "has been the victim of a sophisticated campaign of

smears and lies." Alarmed that such harsh language could hinder confirmation of the next nominee, White House aides rewrote the talk at the last minute. As Fred I. Greenstein, professor of politics at Princeton University noted: "He's such a trouper that, in one sense, the true Ronald Reagan is the one who sticks to the script."

But later in the day, as he finished addressing a Republican fund-raiser in Whippany, the President let his feelings spill out. Urged on by a cheering crowd, Mr. Reagan ad-libbed an ending, taunting the Democrats and promising that if he has to name a different Supreme Court Justice, "I'll try to find one that they'll object to just as much as they did to this one."

"This is the other true Reagan, the ideologue," said Professor Greenstein, a scholar of the Presidency. "He was flushed out."

The New Jersey trip was one of several recent occa-

sions when the President's comments illuminated an underlying conflict between the counsel of his advisers and his natural instincts.

Another example involves the Iran-contra scandals. For months, Mr. Reagan has been counseled to express regret and to accept the Tower Commission's conclusion that the affair amounted to an arms-for-hostages trade that never should have happened. In a nationally televised address in March, Mr. Reagan said "my heart and my best intentions tell me" that the initiative was not a trade for hostages. "But the facts and the evidence," he continued, say that it was.

Unpalatable Choices

Nevertheless, in an interview with Fred Barnes in *The New Republic* of Oct. 26 Mr. Reagan demonstrated that he still trusts his heart. The deal, he said, "was not trading arms for hostages," and was worth pursuing. Its aim, the President continued, was for the United States "to be in a position to influence what kind of a government there would be after the Khomeini." That explanation has been abandoned as unconvincing by those who contrived the scheme.

And then there is the matter of the Federal deficit. Late last month, Mr. Reagan bowed to the urging of his advisers, particularly Howard H. Baker Jr., his chief of

tween two camps, pragmatists and purists, has intensified.

In the past, Mr. Reagan's superb political skills have often been sufficient to paper over the fissure.

On controversial social issues, such as abortion, he has generally heeded the warning of pragmatists, led in his first term by Treasury Secretary James A. Baker 3d, then White House chief of staff, that spending much political capital on them could alienate mainstream voters. Meanwhile, he has mollified purists, led by Attorney General Edwin Meese 3d, with his determined rhetoric.

But as the President's power dwindles in the last 15 months of his Administration, the cracks are showing. Howard Baker came into the White House with a reputation as a master compromiser. Mr. Baker's first months disappointed those in Washington who had hoped for a more conciliatory tone from the Oval Office. Now he is pushing harder, trying to convince Mr. Reagan that in a changing political climate he must be more accommodating.

That effort was directly reflected in the rewriting of the Tuesday speech. The chief of staff did not want irritations in Congress generated by the Bork fight further inflamed. The ad-lib a few hours later showed that, deep down, the President has not yet accepted the Baker approach.

Bill Would Ease Rules That Keep Federal Workers Out of Politics

A Shield for Bureaucrats — Or Is It Constraint?

SINCE 1939, when the Hatch Act was enacted, civil servants have been forbidden to take part in partisan political campaigns or to solicit campaign funds from colleagues.

Proponents of change have long argued that the restrictions are unnecessarily complicated and unfairly block Government workers from participation in civic affairs. The status quo has been successfully defended by those who caution that revision could jeopardize the impartiality of the Federal work force and expose Government employees to the sort of undue pressure that prompted the Hatch Act in the first place.

Now on the floor of the House of Representatives is a measure that would remove most restrictions on Federal workers and postal employees and even allow them to run for partisan political office. Representatives William L. Clay, Democrat of Missouri and the bill's author, and Frank R. Wolf, Republican of Virginia, an opponent of the bill, discussed the proposal last week with David Johnston, a reporter in the Washington Bureau of *The New York Times*. Excerpts of the interviews follow.

Clay

A Question of Rights

Question. Why do you think legislation overhauling the Hatch Act is needed?

A. It would permit Federal employees to participate in the political process the same as all other citizens. Status or position should not be a reason for denying people the right to exercise their constitutional rights. This is a First Amendment question of free speech and free assembly and free association.

Q. Isn't it important that Federal employees remain free from political influence?

A. That's not a valid argument.

You go to some of these shipyards where half of the employees are Federal employees and the other half are civilian employees. The half being paid by the Federal Government can't participate in politics. Now what kind of sense does that make?

Q. But if the bill was enacted wouldn't employees be open to pressure from their superiors to participate in politics?

A. They're open now. This bill strengthens the penalties for coercion by supervisors.

Q. Will the public's confidence in the Federal work force decline as result of this legislation?



David Gohard

A. I think what the citizens are looking for is courtesy and responsiveness on the part of civil servants. I don't think their views when they get off from work — This bill prohibits any type of politicking while you're on duty or in uniform or in a Government vehicle.

It's ridiculous to say that the Hatch Act is in any measure fair. You've got a compilation of more than 3,000 regulations in one piece of legislation. Nobody understands what he or she can or cannot do.

You've got regulations saying you cannot put a sign up on your lawn and others saying it can be only so large. If it's an inch higher than they prescribe, you're in violation. You've got some agencies saying, "Yes, it's proper" to put a bumper sticker on your car, and other agencies saying you can't drive that car on Federal property. And when a person says, "Look, this car is used by me and my wife," they say you have to take the bumper sticker off when you use it.

Q. Is there a political agenda here or an effort to involve workers in party politics?

A. The composition of the Federal work force reflects the society in general. You'll find some Democrats, some Republicans, some who just don't want to get involved. But if a Federal employee voluntarily wanted to go out and campaign for a Democrat or for a Republican, that should be his right.

That's why it's necessary to give Federal employees a fighting chance. They ought to be like anyone else in our society. They ought to be able to go out and support their friends and campaign against their enemies. People who sit in this Congress and vote day after day against the best interest of Federal workers ought to be held accountable in some manner.

Wolf

A Need for Protection

Question. Is a change in the law needed?

A. Although there could be some modifications, I think the basic protections that it offers Federal employees work well.

The thing works so well and we have such a good work force that we want to be careful that we don't change this law in such a way that can bring about possible coercion of Federal employees, either indirect or direct.

Possible acts of coercion are less desirable assignments, exclusion from certain activities, a job performance appraisal or transferring a person.

The second problem is there really isn't any consensus among Federal employees on this issue. My general sense is that they really would like to keep the protection. I took a questionnaire — it's not scientific by any means — in 1983, and in that questionnaire 86 percent favored the Hatch Act as it is, 19 percent wanted change, 15 percent were undecided.

Q. Advocates of the new bill say there are stronger penalties against coercion in it.

A. That's not true. Now, you can't even ask a Federal employee to do these things because he can say, "I'm Hatched." So it gives total protection. What is permitted by this bill will be really what is expected of a Federal employee.

Secondly, for the enforcement procedures, the bill gives the enforcement authority to the special counsel of the Merit System Protection Board. That is as

weak an agency as is known in the Federal Government. If they were going to do anything they ought to give it to the criminal division of the Justice Department.

Q. Don't Federal employees have a basic right to engage in political activity like any other citizen?

A. I have such a high regard for Federal employment. It's above politics. When you get massive procurement contracts, when you get Internal Revenue Service auditors, when you get people in law enforcement, you really have to make sure that you don't endanger the entire concept of employee independence and freedom from coercion.

It is a very high calling and one that we want to keep out of political pressure. Federal employees can register, they can vote, they can assist in voter registration, they can express their opinion, they can participate in campaigns where neither party is involved, they can contribute money to political campaigns, they can wear lapel pins, they can attend political rallies, they can join political clubs, they can sign nominating petitions, they can get involved in referendums — and maybe there ought to be some other relaxation.

Q. How would you change the law?

A. I don't want to shake this thing up. It's working well. The American people are being well served. And I think that, before you radically change something whereby they could be coerced both for financial contributions and for their time, I think we ought to look at it very carefully. This bill is flawed in so many ways. So let's set up a blue-ribbon panel and let the General Accounting Office investigate it and come back with recommendations. I think those recommendations would be adopted very fast.

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The President and the Children

Children are a nation's greatest future resource; that's why America is heading for trouble. In the next 12 weeks, President Reagan will either seize — or forfeit — his last chance to do something about it.

At this moment, his Office of Management and Budget is constructing the 1989 Federal budget, for his last full year in office. The usual strains of budget-making are intensified by merciless pressure to cut the deficit, notably the present struggle to bring the 1988 budget within Gramm-Rudman's mandatory targets. Temptation is strong to cut back everywhere, on the theory that All Must Share the Burden. Yes. But not the children.

Many American children, and the number is rising, need help, especially in early childhood. More than 20 percent of children are now growing up poor; in 1970 it was 15 percent. The nation has developed programs that work to prevent or ameliorate poverty's worst effects. A new consensus is coalescing around early childhood health and education; people are coming to recognize that insuring a fair chance for every child saves futures and also millions, in increased productivity, decreased crime and delinquency.

The judgment Mr. Reagan passes on five programs especially will do much to establish how he is remembered when today's toddlers become adults.

WIC (Women-Infants-Children). By providing supplemental food to those at nutritional risk, this program helps reduce infant mortality and increases birthweight. It has the greatest effect on pregnant women: every dollar spent on the prenatal component saves three in short-term hospital costs. Now funded at about \$1.7 billion, it serves less than half those eligible.

Prenatal Care. Several programs, including a block grant for maternal and child health and Medicaid, provide prenatal services to low-income women. Investing one dollar in prenatal services

saves \$3.38 in the cost of care for low-birthweight infants. Every dollar spent on comprehensive prenatal care for Medicaid recipients saves \$2 in care during a baby's first year. Still, in 1985, nearly 25 percent of mothers did not begin prenatal care in the critical first trimester. Congress has approved an increase of \$27 million in the maternal and child health block grant. That could provide complete prenatal care services to 40,000 more women.

Childhood Immunization. Each dollar spent to immunize young children saves \$10 in later medical costs. Yet in 1985, one of four children between ages 1 and 4 was not immunized for rubella, mumps, polio or measles and 13 percent lacked immunization for diphtheria, tetanus and pertussis. Congress would increase funding by about \$20 million, enough to immunize 600,000 more youngsters.

Preschool Education. Enriched-preschool programs increase later school success. Head Start, the celebrated Federal contribution to this effort, is now funded at about \$1.1 billion, enough to serve barely one of every five eligible children. Congress contemplates an increase that could cover 28,000 more children.

Remedial Education. Since 1965, the Federal Government has provided remedial services to educationally disadvantaged children. A year of such service costs about \$600. Compare that with the \$4,000 it costs taxpayers when a child must repeat a grade. Congress would add about \$350 million for remedial education, targeting most of it to the poorest students. That could allow school districts to serve another half-million children.

Big funding increases for child welfare programs may be unrealistic at a time of huge deficits. But the modest Congressional increases approved so far are well within Gramm-Rudman's budgetary limits. They make progress toward 100 percent coverage of those eligible. If the President cares about poor children, he'll do well to continue these modest but steady gains. These are investments that America cannot afford not to make.

Meddling Won't Help Air Travel

What began in the House of Representatives as a sensible response to outrage over air travel delays has turned into meddling. Air travelers as well as airlines ought to hope for greater wisdom from the Senate.

The bill started as a commendable effort to make airlines disclose on-time records, numbers of complaints about lost baggage and other data that would guide consumer choice. But members of the House, sensing rising popular discontent over air service, began heaping on other, less meritorious provisions.

Some of these were eliminated before the House finally passed the bill, but others made it through. These include, for example, setting capacity levels at the biggest airports, thus limiting departures and arrivals, and forcing airlines to give free tickets to passengers when their baggage is not delivered within certain time limits. Those are

costly and clumsy intrusions. Airport capacity varies with the time of day and could be better managed by manipulating fees for landing rights.

More to the point, airports can be expanded to meet increased traffic, and Congress is partly responsible for the failure to expand. Rather than set limits on airport use, the lawmakers could raise the user fees that feed the Aviation Trust Fund so that the aviation infrastructure can be expanded to pay for itself. Congress might also move the trust fund off the budget and exempt it from cuts under the Gramm-Rudman-Hollings law.

The House bill may actually be a response to a problem that is already abating. The Federal Aviation Administration last week reported that delays in the July-September period were down 24 percent compared with the same period of 1986. All the more reason for Congress to resist the impulse to meddle.

Taming an Oversize Building

From its first appearance in architects' renderings, the proposed new tower on the Columbus Circle site of the Coliseum struck New Yorkers as too much of a not-very-good thing.

The plans promised extensive office space and vast trading floors for Salomon Brothers, insuring that the investment banking firm's thousands of jobs and tax dollars stay in the city. The Metropolitan Transportation Authority, the property owner, would get \$455 million for the land.

Though the building, called Columbus Center, conformed to zoning regulations, it threatened to tower massively over everything around it. Why? Because the M.T.A. wanted top dollar, a decision heartily endorsed by the city. Anything built on a \$455 million site has to be massive. But the M.T.A.'s desire for income-weighted one public interest too heavily over another. It amounted to selling a slice of sky to pay for subways.

Last winter, the Board of Estimate looked for a compromise that would significantly reduce the structure without greatly reducing its return. The negotiations were fruitless. Neither the developer, Boston Properties, nor Salomon Brothers nor the city would yield. Troubled citizens formed committees and participated in public hearings and discussions by city agencies and community boards. But constructive change was by then impossible and the project was approved over the opposition.

Subsequently, the Municipal Art Society, joined by some citizens who became alarmed after the well-publicized municipal decisions, went to court to set aside the Board of Estimate approval, thus delaying the project. Meanwhile, uncertainties in the stock and bond markets may influence Salomon Brothers' outlook and, for the moment, lower the ex-

pectations of all parties. It may now be possible to achieve compromise on a smaller building. That's a sensible, indeed desirable, outcome.

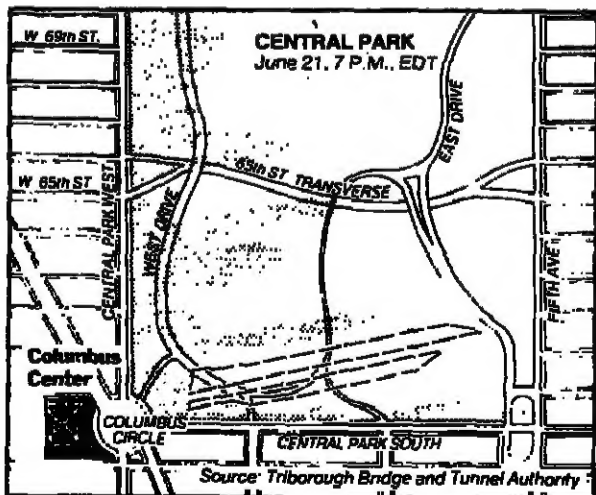
A revised building would still be large; the site is one of the biggest available in central Manhattan. But if the city and the M.T.A. can be persuaded to adjust past expectations to present realities, a building smaller than 68 stories could be agreed on.

The main obstacle to compromise is the possibility that some of those who fought the larger building will try to block any building. Their tone is worrisome. They object to The Shadow that the large building would cast; it is the focus of a demonstration they plan today. But there's more than a touch of hype in that.

All the buildings on Central Park West cast similar afternoon shadows on the park. As the accompanying diagram shows, even if the massive structure were built as already approved, it would add to them only marginally. The long, late shadows move fast and do not cover the same spot for more than an hour and a half.

Some extreme opponents, failing to recognize the public's interest in developing land of unusual value, talk as if the motive of all parties, including the M.T.A. and the city, is simply greed. But New York needs the present and potential jobs. It needs the land sale proceeds for the M.T.A. and the tax revenues for the city. It can afford a scaled-down building but it can't afford to leave so large and valuable a piece of land underused.

Fortunately, the majority of the protesters recognize that Manhattan cannot now be turned back into an 18th-century city. A sound compromise on the size of Columbus Center can be struck. Whether it will be depends now on the civic spirit and wisdom of that majority.



Letters

Why People in Space Can Outperform Robots

To the Editor:

Alex Roland argues strongly against a manned space program ("NASA's Manned-Space Nonsense," Op-Ed, Oct. 4). Most of his arguments, however, do not hold water.

Mr. Roland says the National Aeronautics and Space Administration is neglecting unmanned technology. Wrong. More than half the current budget goes to these activities. NASA's new civil space technology initiative, for example, begins this year to replenish the technology "bank" on which we have been drawing for two decades and is heavily laden with automation, robotics and artificial intelligence programs.

Mr. Roland says that unmanned spacecraft can do only missions better and cheaper. Wrong. Talk to the scientists who learned for the first time with Spacelab just how critically important an on-the-spot human brain and pair of hands can be; it's still by far the best general-purpose computer-manipulator combination. And although the first wave of space exploration was conducted (properly) by robot spacecraft, the goals of the next wave are simply too complicated for fully automated systems. All four of the next-generation "great space observatories" — the Hubble space telescope, the gamma-ray observatory, the advanced X-ray astrophysical facility and the space infrared telescope facility — require people to maintain, repair and reprogram them.

Mr. Roland says that the post-Challenger decision to bump all commercial payloads from the Shuttle will hand over all the launch business to the French, Russians, Japanese and Chinese. Wrong. Talk to Martin Marietta, General Dynamics and McDonnell Douglas. Even though they won't be geared back up to resume commercial launches until well into 1988, they have already garnered more than 20 commercial payload reservations, with more in the pipeline.

Mr. Roland says the Soviet Mir space station "has proved itself to be just about as useless as ours would be." The Russians must be laughing at that one, all the way to the currency exchange. Their microgravity research has brought significant benefits in both medicine and com-

puters, and their extensive use of manual telescopes on the station has vaulted them to world leadership in astronomy. Why, too, have the Europeans, Japanese and even the Chinese committed themselves to strong manned space programs? Does Mr. Roland know something they don't?

He says we don't have a safe, reliable, economic launch vehicle. Wrong. We've had at least four families of them for years, and both NASA and the Air Force have taken the first steps toward developing next-generation low-cost, reliable launches (the advanced launch system and a Shuttle-derived cargo vehicle). The wrong decision to place all our launch reliance on the Shuttle, incidentally, was not made by NASA, but was forced on it by Congress and the Office of Management and Budget, who insisted, in contrast to the case of NASA's wind tunnels, that a national facility like the Shuttle was to pay for itself in commercial revenues.

A final point: I agree with Mr. Roland that if we set our sights only on what we already know, there's no need for exploration. But history has shown us that the greatest gains for humanity have come from exploring the unknown, both by going to new

ered: "I don't know yet, but in 20 years you'll be taxing it."

Mr. Roland's article appeared on the 30th anniversary of the Soviet Sputnik launch that stunned the world and opened the space age. If Mr. Roland has his way, we will head inexorably for another — and now far more serious — Sputnik.

The entire United States civil space program, manned and unmanned, consumes less than one percent of the Federal budget — a few tenths of one percent of the gross national product. Is that too much to invest to stay competitive with the rest of the world in the next major source of industrial wealth?

JERRY GREY
Director, Science & Technology Policy
American Institute of Aeronautics and Astronautics
Washington, Oct. 7, 1987

Policy's the Problem

To the Editor:

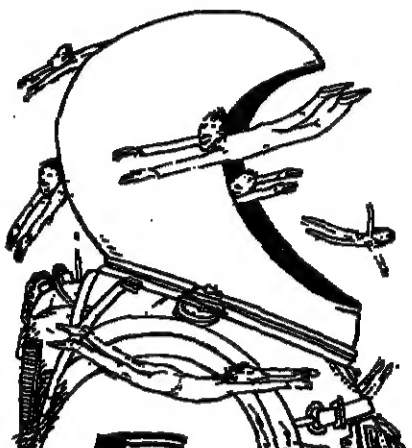
Why must every critique of NASA's bungling management also be an attack on manned space flight? Alex Roland's article is yet another of such pieces, characterized by lack of vision and misunderstanding of the human spirit.

Human exploration and settlement of great frontiers has always been a driving force of civilization, and space will be no exception. While the Challenger tragedy, and our predicament, should force a re-evaluation of priorities, a truly healthy space program must have manned and unmanned aspects.

The problem is NASA policy making. There is, however, an alternative. When President Reagan created the National Commission on Space, he charged it with developing a purposeful, coherent and economical strategy for the next 20 years. This is what it did, yet the commission's highly acclaimed report has been ignored.

Our space program desperately needs a coherent policy, and our nation desperately needs a vital space program. Without one, the United States will join a long list of great nations that fell into decline because they refused the challenge of a new frontier.

STEPHEN R. KOSTES
Peekskill, N.Y., Oct. 7, 1987



places and by learning more about the physics, chemistry and biology of the world and the universe. Remember Michael Faraday's response to the British Exchequer official who asked of what earthly use was this "electromagnetic field" he'd discov-

Hostile Tender Offers Are Bad for Banks

To the Editor:

I was shocked that the Bank of New York was making a hostile tender offer for the Irving Trust Company (front page, Sept. 26). Having been the recipient of a hostile tender offer from a banking company a year ago, I know what is involved and how thoroughly disruptive it is to customers, staff and management. We defeated the offer because we want to be independent.

I believe hostile tenders for deposit institutions are not in the public interest, certainly not in the interest of customers. After all, the public interest and the welfare of American business is bound to a healthy banking industry. Hostile offers can lead to monopoly banking, as well as an avalanche of ill-considered banking combinations that make no economic sense. The trend could be dangerous for the banking industry, and no one will be able to anticipate what the domino effects of this type of activity can lead to.

There will be hundreds, maybe thousands, of mergers in banking in the years ahead, brought about without hostility, where the managements of two banks decide that it is in the best interests of their customers, shareholders and the public to create such mergers. Hostile offers are bad news.

I hope the Federal Reserve Board and New York State's Banking Department, as well as the House and Senate Banking Committees, take a hard look.

A. ANDREW BOEMI
Chairman & Chief Executive Officer
Madison Financial Corporation
Chicago, Oct. 2, 1987

Powerful Causes and Flawed Characters

To the Editor:

In "Spreading Vicious Truths" (editorial, Oct. 2), you say, "The '88 candidates do not represent powerful causes," suggesting that character in a candidate is not only insufficient, but also unnecessary. Would that you had cited one example of a powerful cause that could make irrelevant the flawed character of a candidate who espoused it.

Are not the freeing of our countrymen held hostage or the support of the Nicaraguan contras examples of just such powerful causes espoused by individuals whose character traits included the devious and defiant misleading of Congress, together with the arrogant subversion of the spirit, if not the letter, of the law? To extrapolate your logic, we would have to prefer an Oliver North or a John Poindexter to a Michael Dukakis as Presidential timber.

On the contrary, Bruce Buchanan's Op-Ed article the same day ("Open All Candidates Before Election") provides more workable guidelines to help the electorate avoid another Presidential failure. I suggest that these guidelines point to a "Look at how I got where I am" and not a "Look at where I claim to be going" test. The first is truly crucial and bespeaks character, while the second could be sham — or mere demagoguery.

ROBERT A. DI CURCIO
Nantucket, Mass., Oct. 3, 1987

What Insiders Knew

To the Editor:

Apparently, all along most journalists shared James Beaton's appraisal

of Senator Joseph R. Biden Jr. as "a breezy, glib, careless man, full of good looks and good intentions, unsupported by clear thinking or plain speaking" ("An Age of Pretense," Op-Ed, Sept. 30). Most ordinary voters were not in on the secret. So, why should it be seen as heinous, or even unfair, when the campaign staff of one of the candidates — Gov. Michael Dukakis — supplies a videotape that reveals to all what the insiders already knew?

It is wrong that a campaign manager should mislead his principal, as happened in the Dukakis case. But are we really so prissy and sanctimonious as to downgrade one candidate for high office because his people point out unappealing truths about another? We're supposed to be selecting the next President of the United States, who we expect to tell the truth most of the time, not a candidate or maître d'hôtel who has only emollient things to say.

DICK NETZER
Brooklyn, Oct. 1, 1987

Slinking Around

To the Editor:

While there is nothing wrong in "spreading vicious truths" (editorial, Oct. 2), the problem with Michael Dukakis is how he spread them and why he spread them.

Because his staff set about establishing "plausible deniability" for their candidate, and went slinking around corners in order to achieve their ends, the accusers turned out to be more contemptible than the accused.

YVONNE S. ARCHER
New York, Oct. 6, 1987

U.S. Aid Would Be Better Spent in Philippines Than on Contras

To the Editor:

Our Government, both on the executive and legislative side, now faced as it is with democratic "crises" in foreign lands of traditional interest to us, might do well to ponder and exercise a little elementary arithmetic, but even better, a little common sense. Is it not strange, for example, that our Government provides only 90 cents per capita in annual military aid to the Philippines, with a population of 56 million, struggling for decades to establish a true democratic system and now facing again the threat of (1) a takeover by a corrupt and inept military and (2) the steady conquest of further national territory by the Communist-oriented New People's Army?

At the same time for Nicaragua, the Administration proposes \$90 per capita (\$270 million in relation to a population of three million) to bolster the Central Intelligence Agency's "covert" military intervention, apparently designed to force a quickie democratic conversion on this small country, which has not yet in its long history had anything resembling true democratic government.

Surely, it is more important for our

Government to reassure President Corason Aquino's Government, with its weak, vacillating and poorly financed military, than to worry to the point of paranoia about an alleged Soviet bridgehead near the Panama Canal, a danger that our military could wipe off the map in days or hours, if the need should ever arise.

Panama itself, corrupted by large-scale drug dealing and intense international money laundering, is no guaranteed friend of ours. We should indeed beware of labeling any of the Central American countries, with the notable exception of Costa Rica, as true democracies, unless oligarchic control of government and the military satisfies our definition of democracy. Even in our own country, with far less than half the voter-age population voting regularly, and the wealth very unevenly spread, ideal democracy may be an illusion.

Balanced economic development and widespread land reform, both difficult to achieve, are the twin pillars of progress and hope for all the countries to the south of us. We would do well to concentrate on assisting them in these directions, and not inject ourselves militarily in situations where our intervention can be no more decisive than it has been, for example, in El Salvador, or for that matter in Nicaragua.

The real strategic threat today to United States global interests, however, is in the Philippines, a danger that should not be addressed in stingy fashion.

WILLIAM F. BUSSER
Chestertown, N.Y., Sept. 30, 1987
The writer, a former Foreign Service officer in Latin America, has been in Central America and the Philippines with International Executive Service Corps, an organization that assists third-world countries.

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Let's Back Away From a Worldwide Economic Abyss

By W. W. Rostow

Just as the mishandling of the reparations and war debt problems between World War I and World War II helped bring on and then deepen the Great Depression, the leaders of the major economic powers today are misjudging the scale of international trade and debt imbalances.

The consequences of the previous mistakes helped bring to power the Japanese military and Hitler. Before equally disastrous political and economic events result from the mishandling of the current crises, the major economic powers had better find a way to restructure international capital transfers.

After World War I, Germany had the responsibility of transferring large sums in reparations to the European victors. Britain and France acquired a similar responsibility as a result of wartime borrowing from the United States. But Western Europe, given its economic policies and structure, could not absorb sufficient German exports to allow Germany to repay the debt. Nor was America capable of absorbing sufficient allied exports to liquidate the war loans.

In the short run, capital movements, rather than trade, did the work. Private lending from the United States to Germany provided the foreign exchange necessary for Germany to pay its reparations bill, which had been reduced by international agreement. The foreign exchange paid out by Germany similarly permitted the Western allies to meet their war-debt repayment schedules.

This curious triangular system began to come unstuck in the second half of 1928 as United States capital was diverted from Germany to the New York stock market. Partly as a consequence, the German downturn began as early as April 1929. The American economy followed in June, Britain's in July, all before the October stock market collapse. The French economy, which was better insulated, experienced a late turning point in March 1930.

The Smoot-Hawley tariff of 1930 compounded the felony by crippling trade and making the further transfer of war-debt repayments virtually impossible. As a result, the world economy spiraled into deep depression and fragmentation.

With hindsight, one can reasonably argue now that this outcome could have been avoided if certain measures had been taken in, say, early 1930.

If reparations and war debts had been reduced, stretched out or can-

celed by international agreement.

If the United States, Britain, France and Germany had agreed to conduct strongly expansionary fiscal and monetary policies.

If the United States, with an exceedingly strong gold and foreign exchange position, had moved toward radically liberalized trade rather than heightened protectionism.

All this would have required intensified international cooperation, and that, of course, didn't happen.

Memories of this debacle helped shape the Lend-Lease programs, reparations policy after World War II, the creation of the Bretton Woods institutions, and, in the face of another great economic crisis, the Marshall Plan and assistance to Japan's postwar recovery.

It is about time that major economic powers began thinking of solutions to the current world debt and trade crises in such broad terms.

Right now, mainly as a result of our policies since 1981, the United States cannot transfer through exports what it purchases in imports. As with Germany before 1928, the American trade gap is covered by large capital imports that rapidly increase American obligations to pay interest and profits to foreign countries in the future.

Like the United States during the period between the wars, Japan complicates the problem by being inhospitable to manufactured and agricultural imports, as well as by its obsessive drive to maximize exports and

foreign capital holdings. West Germany, with an unemployment rate of about 9 percent and inflation at about 1.5 percent, refuses to expand its economy — presumably out of fear of inflation.

Important countries of the developing world (notably in Latin America) are acting a bit like the Western allies of the pre-1928 period. In a world economy that is growing slowly and is increasingly resistant to their exports, the developing countries labor to meet transfer obligations arising from prior loans.

Write-downs, rollovers, additional Government and some private lending have helped. But they have not been enough to permit developing countries to fulfill their two essential functions in the world economy. One is to achieve the adequate economic growth that is necessary to bring about social progress and to meet citizens' growing demands for democratic politics despite the strains of rapid population growth. The countries also fail to provide an expanding market for sophisticated exports from Western Europe, Japan and the United States.

There is a special dimension to the present problem. The United States is now a relatively more open and rapidly expanding market than Western Europe and Japan for exports from developing countries. Virtually all the major exporting nations in those regions have geared their currencies to the dollar. Therefore, unlike the Japanese and Europeans, they have not felt the effects of the devaluation of the dollar from its 1985 peak.

But since the United States' trade

deficit cannot be sustained indefinitely, developing countries cannot count on earning large dollar surpluses to pull them out of their own trade problems. This fact must be taken into account in designing a civilized exit from the present trade and capital transfer problem.

Here are the essential components of an international policy that would have a reasonable chance of success:

Concerted measures should be taken to ease substantially the debt burden of the developing regions.

Steps are necessary to increase the rate of growth in countries with chronic surpluses, notably Japan and West Germany, accompanied by a reduction of trade barriers to imports.

Through bipartisan cooperation, the United States must balance the Federal budget. This will permit lower interest rates. We must accelerate the application of new technologies and maintain wage restraint in the face of inflationary pressures likely to arise from past and perhaps some future devaluation of the dollar.

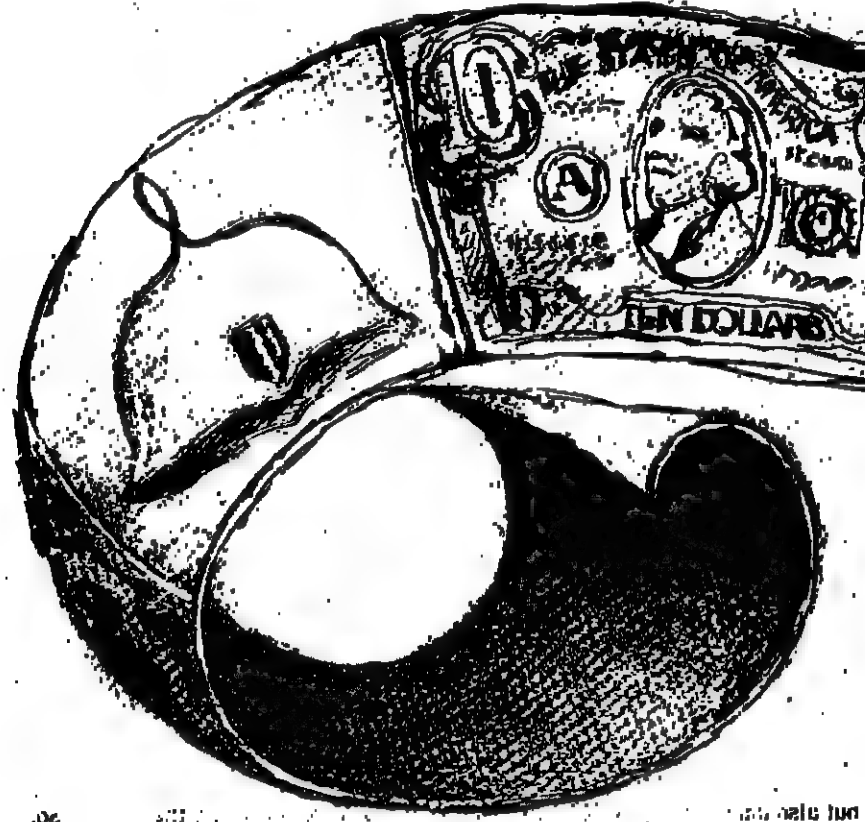
Increased Government and pri-

ate lending to developing regions, including a larger role for the World Bank and regional development banks, is needed. As the United States reduces its trade deficit and real interest rates are brought down, the resulting capital inflow to the United States should be diverted to developing regions.

The major economic powers have made progress in some of these areas, and so far they have kept under control the raw, sometimes vicious nationalistic impulses that helped push the world into the abyss in 1929 and thereafter. Memory of those years may again help us in the time ahead.

But the actions by Japan, West Germany, the United States and other countries in no way yet matches the scale and urgency of the problem. Unless further steps are taken, the world's leaders will have earned the characterization that Theodore Roosevelt made of the German Chancellor's behavior in 1914: "He meant well feebly." Today, the consequences could be equally costly. LI

W. W. Rostow is professor of economics and history at the University of Texas at Austin.



ABROAD AT HOME | Anthony Lewis

Bargaining in Lives

The Soviet Government has acted in recent weeks to resolve some longstanding emigration cases. Two weeks ago, for example, it gave an exit visa to Ida Nudel, a leading campaigner for Soviet Jews. This week officials told Vladimir Slepak, another prominent refusenik, that he and his wife could move to Israel, 17 years after they first applied.

Such actions are evidently designed to improve the atmosphere in Soviet-American relations before Mikhail Gorbachev makes his expected trip to the United States for a summit meeting. But the effect will be limited.

Every time one well-known person is allowed to leave the Soviet Union, we in the West remember others who have not been. Thus Mr. Slepak's good news was coupled with reminders that such admired figures as Aleksandr Y. Lerner and Valery N. Solov'ev are still forbidden to emigrate many years after they began seeking visas.

Soviet officials have complained to Americans about that reaction. When they take some positive step, they say, instead of being praised they are criticized for not having done something else. That provides little motivation for resolving any cases, they argue.

It is crucial to beware of that Soviet view. I think — crucial because it is so mistaken. It misunderstands fundamental Western attitudes on human rights. And the misunderstanding is as harmful to legitimate Soviet interests as it is to the victims of injustice.

The Soviet view is based on the premise that the resolution of individual human rights cases is a valuable gesture — a favor — to Western opinion. Soviet leaders traditionally save those gestures to be used as bargaining chips. When a summit meeting approaches, the chips are played in order to brighten the mood for substantive negotiation.

But we do not regard such things as letting citizens emigrate or practice their religion or speak their minds as governmental favors. We think of them as rights — rights that have a legal basis in Soviet undertakings at Helsinki.

Moreover, Americans and others in the West do not like the idea of human lives being used as bargaining chips. So when restraints on some Soviet citizens are relaxed at a politically opportune moment, it is inevitable that Westerners will feel that the individual will be mixed with resentment at the tactic. The sense that human lives are

being played with is deepened by the haphazard, seemingly senseless cruelty of Soviet bureaucracy in these matters. Or is it just bureaucracy?

Benjamin Charny, a mathematician, presents one of several especially heart-rending Soviet emigration cases. He and the others have cancer. They want to leave to get treatment or to be with their families.

Mr. Charny wishes to be with his brother, Leon, who is at the Massachusetts Institute of Technology.

Last month Benjamin Charny's daughter, Anna, was allowed to leave with her husband, their 3-month-old child and her husband's parents and grandmother. In effect, the whole family is out — except Benjamin Charny.

Or consider the question of divided Soviet-American couples: spouses and fiancés kept apart by Soviet barriers. About 20 couples are in that category now.

On Oct. 23, Elizabeth Condon, a high school teacher of Russian and French, will mark the eighth anniversary of the day she was supposed to marry Victor Novikov in Moscow. The marriage was stopped. And ever since, Mr. Novikov has been refused permission to emigrate and Miss Condon to visit the Soviet Union.

Last spring Miss Condon was encouraged to apply again for a visitor's visa. She did. Two days before her planned flight to Moscow, she was told that her visa had been denied. More recently, Mr. Novikov was told that he could still not leave because he learned secrets years ago. That reason, officials said, will expire in 1990.

The Soviet Union pays a high price in the West for such inhumanity, and it is not only the price of moral disapproval. The feeling that the U.S.S.R. cannot be trusted — not even to keep to its Helsinki undertakings — feeds opposition to the arms control agreement that both Mr. Gorbachev and President Reagan want.

Mr. Gorbachev understands there is a price. He has resolved some of the high-profile cases, not only allowing prominent refuseniks to leave but releasing important political dissidents from prison. But action case by case cannot really solve the problem. Only removal of the underlying wrongs can.

When a Soviet citizen joins an American fiancée, it should not be news. When a seriously ill man in Moscow leaves to be with his brother in the U.S., it should not be news. It should be the rule: so routine that it is not newsworthy. LI



Defectors Deserve Better Treatment

By F. Mark Wyatt

WASHINGTON — Defectors, but largely ignored, components of our national security policy — the treatment and resettlement of Soviet and Soviet bloc defectors — is receiving some long-overdue attention this month by Congress.

Hearings of the Permanent Subcommittee on Investigations of the Senate Committee on Governmental Affairs gives timely recognition to one of our country's few advantages in the constant high-stakes struggle between American and Soviet intelligence services.

Most intelligence experts would concede that in this struggle the K.G.B. enjoys built-in advantages over the Central Intelligence Agency. Dominating the Politburo, the Central Committee and the military, the K.G.B. reigns as the supreme source of power in the Soviet Union. As such, it has priority access to funds and its pick of gifted recruits.

The C.I.A., by contrast, is subject to many controls and restraints of our democratic system. The C.I.A. cannot easily uncover high-level intelligence in the tightly controlled police atmosphere of the Soviet Union, yet the K.G.B. can work virtually with impunity in our free society.

But the greatest advantage of the West lies in our ability to attract to our cause highly informed members of the Soviet bloc elite. Privileged Russians who are allowed to travel abroad have the opportunity to defect. They are also

the ones with the greatest knowledge of the regime, its factions, its inefficiencies, its vulnerabilities and its corruption.

In the field of human intelligence, defectors constitute the single most important source of information about the Soviet Union and Soviet intentions. They have identified important Soviet illegal agents operating in the United States and have given us significant leads to "moles" in Western intelligence and security organizations. Defectors are the Achilles heel of the Soviet world.

We can be sure that many potential defectors hesitate to take the final step, not because they have qualms about forsaking an unsatisfying way of life but because they fear the unknowns that await them here. These would-be defectors can derive little comfort from recent dramatizations in the Soviet media about double-defector Vitaly Yurchenko, who stated in an emotional press conference that he had been forcibly held, drugged and maltreated before he escaped from the C.I.A.

While Mr. Yurchenko's assertions were clearly false, the record of American handling of defectors does reveal crucial deficiencies, and the current climate for defection to this country is not what it should be. In the interest of our national security, we

F. Mark Wyatt is a veteran of 31 years in the clandestine service of the Central Intelligence Agency.

must make it clear to would-be defectors that we will provide friendly protection, sound resettlement counsel, sensible citizenship procedures and continuing support.

In dealing with defectors over a number of years, I have found that in almost every case, the early stages were handled by at least one outstanding American case officer — a sensitive, understanding person in whom the defector has a genuine sense of trust. This human factor in intelligence work must never be minimized. Any intelligent defector would have to be an utter fool to risk his life for a faceless organization.

Unfortunately, however, the defector loses the invaluable support of the trusted case officer in the latter stages of defection. After interrogation, debriefing and long-delayed discussions on resettlement, the intelligence organization becomes a many-faceted bureaucracy. The defector's status shifts from that of an operational concern to an administrative one. It is at this point that inadequate attention has been paid to the need for a trusting, lasting relationship between the newcomer and the agency.

Bureaucratic personnel who enter at the latter stage too often lack the broad-mindedness, consideration and sensitivity to deal with the trauma of a person who has left behind all he owns in exchange for an uncertain future. One unfortunate result is a tendency to place defectors in positions that do not correspond to their talents or aims. By and large, defectors hope to continue working according to their specialization.

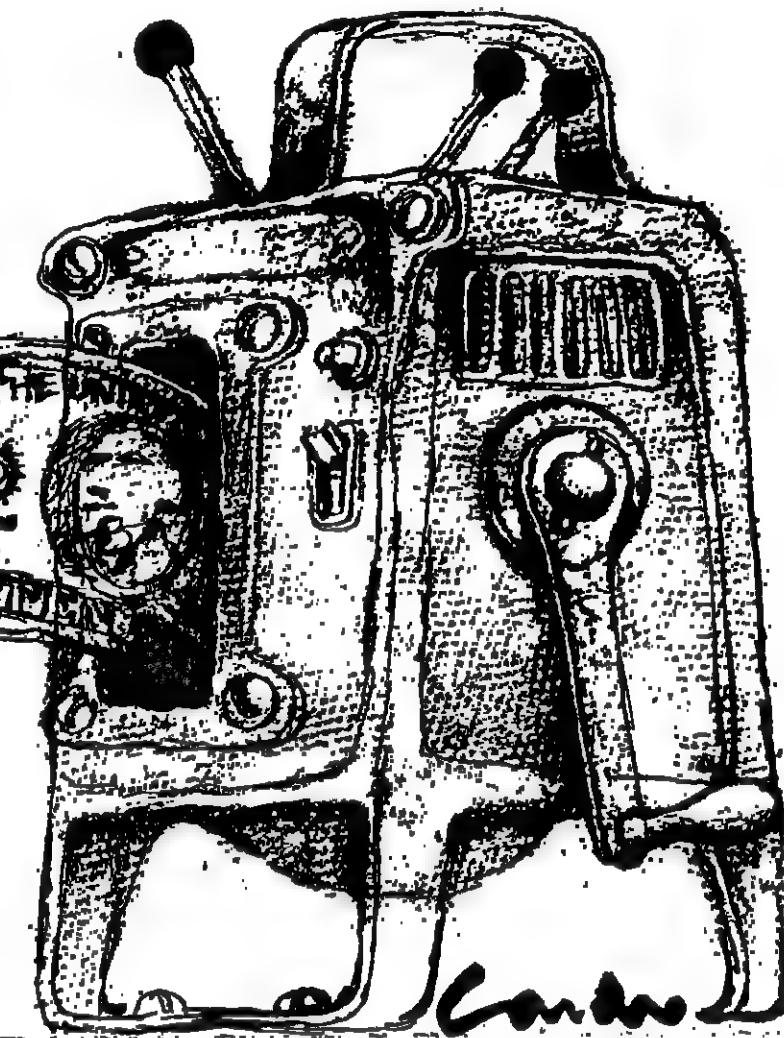
Since they have become disillusioned with the Soviet system, they would also like to make some impact by explaining the faults and weaknesses of the Soviet system to Americans in Government, business or academia. Instead, some recent defectors who rose to the top of their professions in their former countries have ended up here selling ice cream off a truck or packing frozen fish.

Leaving a structured society where everything is done for them, defectors are left to make unfamiliar decisions in an unfamiliar society: making a deposit or arranging a loan at a bank, obtaining medical insurance, finding a place to live. Job security is vital to their psychological well-being, and since being jobless is illegal in many Communist countries, an unemployed defector often feels like a criminal.

Some of the more successful resettlements have been due to the efforts of individual Americans, many of whom are former intelligence and Foreign Service officers who have undertaken this responsibility on a private, personal basis. We must discard the unfortunate notion that the defector's knowledge of Soviet plans and strategies stops with his defection, and that his value ceases when debriefing is over. A number of defectors have disproved this effectively.

The most important part of our foreign relations today is our relations with the Soviet Union. The most useful guide we have to understand our adversary is a former member of the elite of that system.

LI



ESSAY | William Safire

Judiciary Hardball

WASHINGTON — When the Senate allows Hollywood-produced television spots to take over its confirmation of justices, good lawyers make bad mistakes and innocent witnesses can be ground up in the process.

Take the case of John T. Baker, professor of law at Indiana University, the only black law professor who came to Washington determined to speak up in favor of the Bork nomination. On his last sojourn in this city, as dean of law at Howard University, Professor Baker objected to declining academic standards and resigned; his successor threw bricks at him as he left.

On the day before he was scheduled to testify, Professor Baker received a call from Linda Greene of the Senate Judiciary Committee. Miss Greene, a law professor herself, also black, was a longtime professional friend; Professor Baker had tried to recruit her for the Howard faculty.

At 11 A.M. on the day of his scheduled appearance, Professor Baker asked to be excused from testifying and went home. His reason? He told a friend, Maurice Holland, dean of the University of Oregon Law School, "I just couldn't take the heat."

Putting pressure on a witness is a serious matter; if true, that might trouble some of the senators who were stamped into a "rolling vote" in the media on a matter better decided on the Senate floor.

I accompanied Martin Tolchin, a New York Times reporter, to the Judiciary Committee office of Linda Greene, who works for Senator Howard Metzenbaum of Ohio, one of the Bork nomination's fierce opponents. Tacked to a wall is a cartoon showing dangling legs labeled "blacks, gays, the press," with Judge Bork grinning evilly: "I'm the 'swing' vote."

At first Miss Greene was angry at being asked unexpectedly about her call to a witness for the other side — "What is this, some kind of shake-down?" — but agreed to an interview in the presence of her chief counsel, who had learned only the day before of her call of three weeks ago.

Here is Miss Greene's recollection of the 20-minute conversation with Professor Baker.

back in the midst of a big controversy where your testimony will be subject to close scrutiny. If you come here, you will be the issue.

"I told him," Miss Greene continued, "he would be in a visible position, not only as an academic, but as a black. Are you sure you're prepared to deal with those questions? Are you prepared to deal with what this does to your professional reputation?"

"He said, 'If I don't want to do it, what shall I do?' I said you have to talk to Diana Huffman, who is staff director. He said, 'What's her number, and I gave him the number.'"

"I said, 'John, I am calling you out of love for you.' He said, 'Linda, I know that.' That was the end of our conversation. You ask him."

We did. Professor Baker, after consulting with Professor Greene, confirmed it all. Apparently Senator Metzenbaum's chief aide suspected the story would break, and had elicited a letter from the ill-used Professor Baker saying he had not been unduly influenced in his decision not to testify. In a prepared statement, Mr. Baker added: "I was not intimidated by Linda Greene or anyone else."

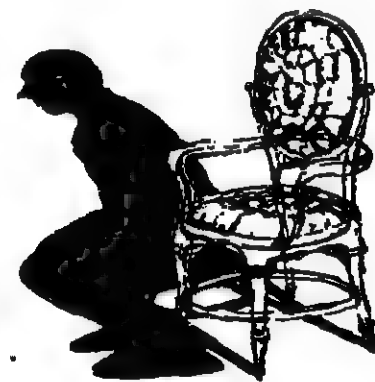
Readers can decide for themselves. Even put in its best light, as recounted by the person who made the call, that persuasion from a member of the staff of the committee to sink the Bork nomination strikes me as wholly improper.

You just cannot do that to witnesses. Was her call a threat, however intended as friendly warning? The result was that it turned the witness around and sent him home to tell his friends of the incredible heat. Mr. Metzenbaum, whose staff has been pressing the victim to insist he was not victimized, says he sees nothing wrong in it at all.

What happened here? Linda Greene is an intelligent, articulate, impassioned partisan with good legal credentials: it is neither racist nor sexist to predict she will not only survive this error but has a Federal judgeship in her Democratic future.

But like many others on Capitol Hill, she was caught up in the gotta-stop-Bork fever. Just as the ad people jumped in with lies, and senators stooped to the rolling vote, a staffer who taught law was swept over the ethical line.

Before casting a vote, senators might ask: What would a thorough ethics committee investigation of the tactics used against this judicial nominee reveal? LI



Reinventing the American Auto

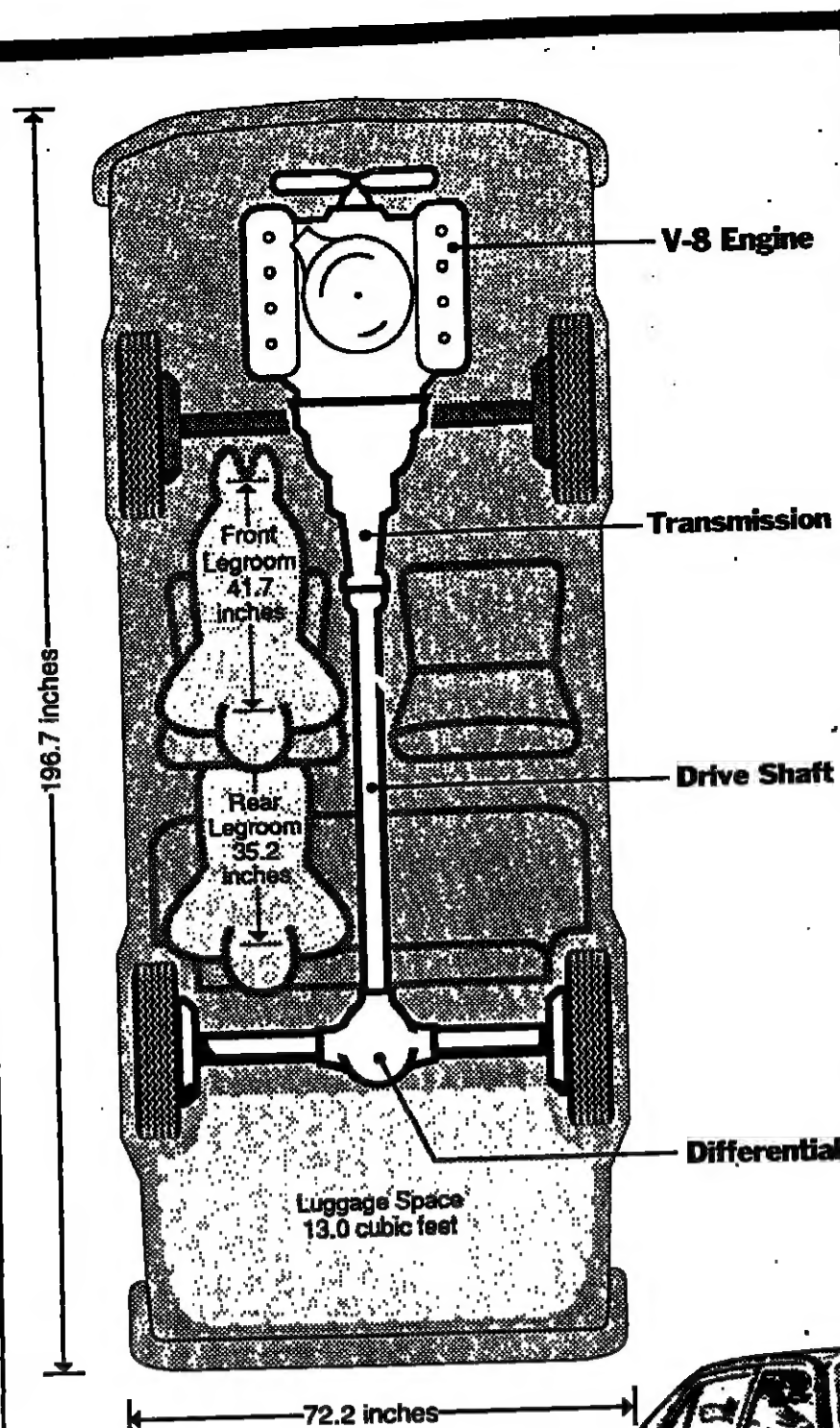
By JOHN HOLUSHA

THE American car has been the stuff of legend—in lyrics, literature, even love—since the early part of this century. But in the last 10 years, it has been transformed more drastically than at any other time in the previous 50 years. Faced with two energy crises in the 1970's and fierce competition from Japan, Detroit is now making cars that are smaller and lighter than their 1978 counterparts but that are just as big inside and get much better gasoline mileage.

Reaching that delicate balance, however, was no easy matter. Seeking improved fuel economy, designers had to make cars lighter. Most older models had a separate heavy metal frame with the body bolted to it, but in the new models, the body panels themselves are the basic structure. Another way to make cars lighter was to make them smaller. But designers had to contend with the fact that people were not getting any smaller. Their solution: Switch from the traditional American practice of rear-wheel drive to front-wheel drive. That eliminated the big hump inside the car that ate space but contained the components that connected the engine to the rear wheels. That change, however, required completely new engines, transmissions and other major components — and a retooling of Detroit's factories.

Comparing the 1978 Chevrolet Nova and the 1988 Chevrolet Corsica (Chevrolet today sells a car called Nova, but it is a Japanese-designed subcompact and not mechanically related to the 1978 model) shows just how much the American automobile has changed. Both are four-door sedans aimed at the young family market. But the transformation doesn't stop there. The next stage, designers say, is the electronic auto.

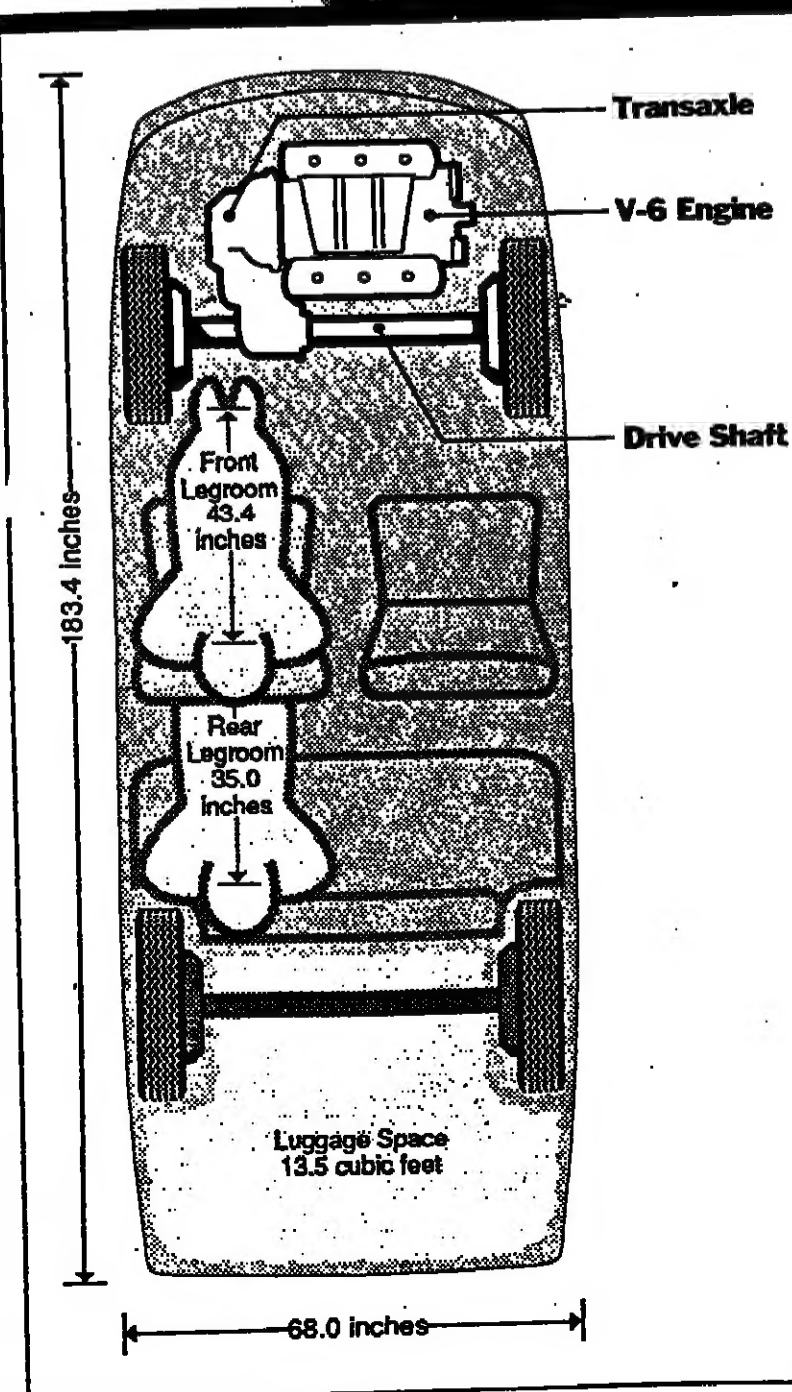
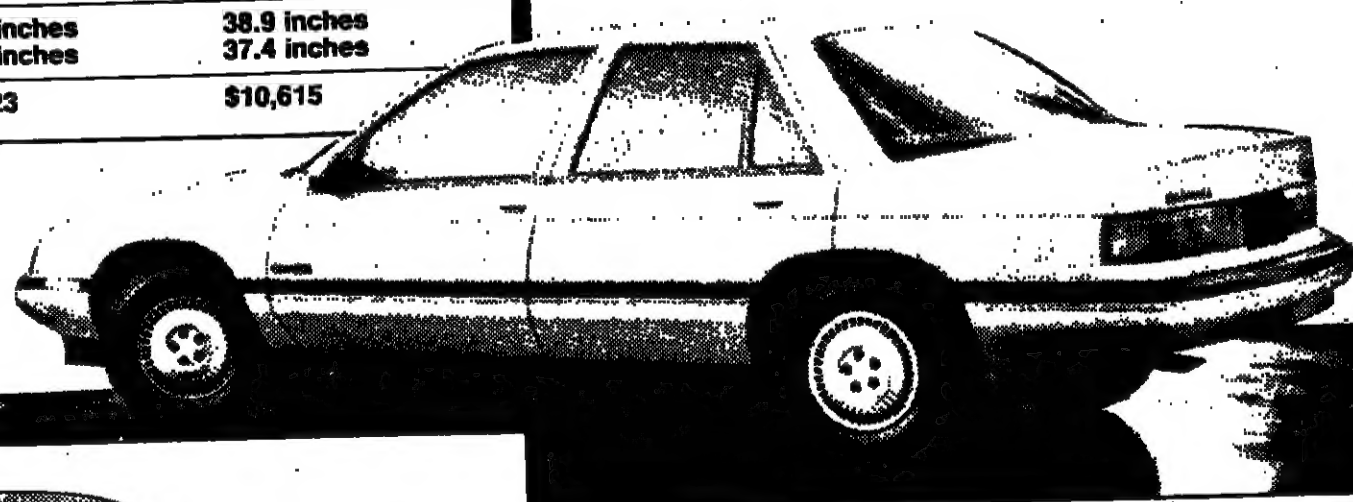
Like the engines of its predecessors, Nova's engine faced forward in the engine compartment, with a transmission behind. A drive shaft carried the engine's power from the transmission to the rear of the car where a set of gears — the differential split — transmitted it to the rear wheels. The transmission and drive shaft forced designers to put a hump inside the car. Then they had to make the car bigger to provide sufficient interior space.



The New York Times/Steve Hart



	1978 Chevrolet Nova 4-door V-8 Engine Automatic transmission	1988 Chevrolet Corsica 4-door V-6 Engine Automatic transmission
Weight	3,272 pounds	2,627 pounds
Horsepower	160	130
Engine capacity	350 cubic inches	173 cubic inches
Gas mileage	17 miles per gallon	22 miles per gallon
Front headroom	39.1 inches	38.9 inches
Rear headroom	37.1 inches	37.4 inches
Price	\$4,023	\$10,615



1988 Chevrolet Corsica

The Corsica's engine was mounted sideways, with a combined transmission and differential called a transaxle attached to transfer power to the wheels. Although the engine is considerably smaller than the Nova's, it produces almost as much power, thanks to advances in fuel injection and computer control of ignition. Depending on its equipment, the front-wheel-drive Corsica weighs about 2,600 pounds, almost 700 pounds less than the 1978 Nova. Instead of a heavy metal frame with a body bolted on, the Corsica is stamped out of rolls of sheet steel, and that makes its body lighter. Reducing the weight and making the engines more sophisticated have produced better fuel economy in the Corsica. It does not have a differential, and as a result, the trunk can be deeper than in earlier models. The additional space in the passenger compartment and the trunk are the main value of front-wheel drive, according to engineers, although the set-up also provides added traction in snow and rain.

What's Ahead

The Chevrolets of 1998 will probably not be as different from the 1988's as the 88's are from the 78's, most auto experts predict. Most likely, they will be front-wheel drive, and the major differences will probably be in electronics and materials. Non-rusting plastic bodies are likely to be more widely used than they are today, and lighter materials elsewhere will improve fuel economy. Electronically controlled anti-skid brakes may well be standard in the 1998 models. And warnings of danger — even from long distance — will probably come from radar and infrared imaging systems, which could be displayed on cathode-ray tubes that will displace the dashboard's conventional instruments. New generations of on-board computers will monitor the automobile's operating systems and should be able to warn of an impending breakdown.

The Economy

WEEK IN BUSINESS

Trade Data Set Off A Market Plunge

A brutal week for stocks gave the bull market its first serious correction since 1984 and even provoked some traders to start writing obituaries for the bull. The Dow Jones industrial average plummeted 235.48 during the week, to close at 2,246.73. The daily action was even more spectacular with what was thought to be a record plunge of 55.46 on Wednesday, followed by a 97.61-point dive on Thursday and then the real topper, a plummeter of 108.36 on Friday. As post-war corrections go, in percentage terms, this one would not even make the top 10, but that is probably little comfort to anyone who was buying stocks when the Dow set its record high of 2,722.42 a scant seven weeks ago on Aug. 25. The battered bond market took more blows, with yields on long Treasury bonds moving decisively above the psychologically important 10 percent level.

Chemical Bank raised its prime lending rate a half-point, to 9.75 percent, the highest level since the summer of 1985.

August's trade deficit set off the market plunge. The figure was an improvement from the July data but not enough of one. The \$800 million decline, to \$15.7 billion, disappointed expectations that the gap would shrink to \$14.5 billion or less. Some politicians and interest groups reacted by calling for speedy passage of a tough trade bill. And some experts and Government officials said everyone was overreacting. They insist that, by volume, American exports are making a strong comeback, but with import prices remaining high, the dollar trade numbers don't reflect that. The August data certainly didn't — total exports fell 3.7 percent. Among imports, one of the most disturbing sectors was oil, which now accounts for 30 percent of the total trade deficit.

The U.S. might allow the dollar to fall further, Treasury Secretary Baker warned West Germany, as he expressed annoyance at Bonn's latest nudging upward of interest rates. He said the increase, the fourth since June, violated the spirit of recent accords among the economic allies. He wants Bonn to loosen the monetary reins in hopes that Germans will buy more American goods. A lower dollar would make German exports more expensive and be a further drag on their already sluggish economy.

Salomon is pulling out of the municipal bond business and dismissing 12 percent of its overall work force, or about 800 employees. Salomon has been only marginally profitable lately, but healthier securities firms are also known to be considering similar, if less drastic, cutbacks. Indeed, Kidder Peabody said it would trim its municipal bond staff by 35 percent, or 100 jobs. Wall Street's municipal business has faced intense price competition from banks and has also been battered by the volatility of interest rates in recent months.

Chemical New York will cut 170 jobs in London, where American

financial institutions have found much less profit than expected under deregulation. About 100 of the Salomon layoffs will also be in London.

Auto sales fell sharply in early October, declining 33.5% from the figure for the 1986 period when hefty sales incentives had been offered. Weak auto sales in September were also given much of the blame for that month's four-tenths of 1 percent drop in overall retail sales.

The highest-paid Federal official was ousted as head of the agency that oversees the disposition of assets taken over from failed savings and loan associations. Roslyn B. Payne had come under increasing criticism because the two-year-old Federal Asset Disposition Association had sold only about 3 percent of the \$3 billion in assets placed under its control. She will continue to work as a specialist at the agency. Her salary, and bonus last year totaled \$325,000.

I.B.M. profits rose 12 percent in the third quarter, after five periods of declines. But Wall Street analysts said they had been expecting more. Apple Computer's net income more than doubled in the period, and Digital Equipment, which is posing an increasingly serious challenge to I.B.M., gained 47.8 percent.

Public Service of New Hampshire missed a \$37 million debt payment and appeared headed toward becoming the first investor-owned utility since the Depression to seek bankruptcy protection. Public Service's troubles stem from its large stake in the troubled Seabrook nuclear plant.

Miscellaneous. Colgate-Palmolive will sell two divisions, close six factories and eliminate 600 managerial positions ... Ford Motor will buy U.S. Leasing International for \$500 million. The company leases a variety of business and transportation equipment, including auto fleets .. The compensation of beginning accountants at Price Waterhouse has been raised 20 percent, to \$30,000 a year.

The New York Stock Exchange				
MOST ACTIVE STOCKS WEEK ENDED OCTOBER 16, 1987				
(Consolidated)				
Company	Sales	Last	Net Chng	
Glaxo	18,027,100	21 $\frac{1}{2}$	-	6%

IBM	16,589,900	13%	-12%
AT&T	15,279,000	30	- 2%
Gen El	13,807,000	50%	- 7½
NYSEG	12,259,300	25%	- 1%
Exxon	11,442,100	43%	- 4%
Celanese	10,464,800	31	- 3¼

Dow Jones			
30 Indust	2529.3	2207.7	2246.7 -235.48
20 Transp	1041.2	947.1	941.6 -95.23
15 Utilis	200.6	187.6	190.1 - 5.92
65 Comb	932.3	825.5	839.7 -78.88

The American Stock Exchange			
Crays	10,439,000	84%	-10%
Ford M	10,439,000	84%	-10%
Tennco	10,036,000	55	-4%
E Kodk	8,990,700	90%	-9
US West	8,659,500	53%	-3
Gilete	8,491,400	32%	-10%
A Exp	8,242,800	30%	-4%
G Mot	8,999,800	68	-8%
S Fe So P	8,930,100	51	-13%

MOST ACTIVE STOCKS WEEK ENDED OCTOBER 16, 1987 (Consolidated)			
Company	Sales	Last	Net Chg
WangB	2,172,000	17	-2%
HmeSh	1,998,100	9	-1%
NY Time	1,538,700	35%	-5
Am Dahl	1,822,000	43%	-2%
Tex Air	1,811,800	21%	-1
Media	1,492,100	44%	+3%
Fruit	1,301,700	6%	+2
Ech Bay	1,201,600	26	-3
Alza	1,112,100	22%	-6
ENSCO	1,103,300	4%	-1

MARKET DIARY		
Last	Prev.	
Week	Week	
Advances	143	490
Declines	1,944	1,608
Total Issues	2,188	2,166
New Highs	31	124
New Lows	479	208

VOLUME		Last	Year
(4 P.M. New York Close)		Week	To Date
Total Sales	1,123,914,486	36,574,054,358	
Same Per. 1986	597,146,940	28,072,061,084	

WEEK'S MARKET AVERAGES			
	High	Low	Last Change
New York Stock Exchange			
Indust	214.3	191.5	191.8 -21.46
Transp	162.2	144.8	145.5 -17.69
Utili	78.4	73.4	73.4 - 3.00
Finance	153.6	143.0	143.0 - 9.21
Composite	176.0	159.1	159.1 -15.51

MARKET DIARY		Last	Pre
		Week	Week
Advances	85	22	
Declined	850	66	
Unchanged	101	13	
Total Issues	1,036	1,028	
New Highs	13	4	
New Lows	201	10	

VOLUME		Last	Year
(4 P.M. New York Close)		Week	To Date
Total Sales	60,528,260	2,732,377,547	
Same Per. 1986	37,782,950	2,411,968,872	



Narcissus poeticus and Double narcissus

(Etching by Van de Passe, 1614-1617)

Bulbs for every season

THE FIRST rains of the season, the yoreh, due in early October, cleansed trees, shrubs and climbers of all the dust and the dirt and allowed the flower beds in public and private gardens, in fields and meadows to display a new bright, shining green.

Experienced gardeners know that the yoreh doesn't penetrate deeply and soak the roots of perennials. They therefore continue to water their gardens as usual in the early autumn.

They are already seeing the signs of enthusiastic gardening in preparation for the celebration of Israel's 40th anniversary. Nurseries are busy with orders for flowering plants, seeds, bulbs, roses, fertilizers and garden tools.

This year, our Dutch friends will not be merely sending their traditional gift of more than 100,000 tulip bulbs for Jerusalem and other places; they will be coming here in time to plant the bulbs themselves.

NOW IS BULB time. How magical nature is! You plant something that looks like an onion, and in a few months' time flowers emerge.

Most gardeners think of tulips and daffodils when they consider bulbs, and these are indeed among the most colorful; but there are a great many other kinds. Some fall into the category of long-flowering blooms; others are refined, diminutive types — gems of the rock garden.

Not all of them are necessarily showy, or spring bloomers, or winter-hardy. Some appear naturally in regularly-watered lawns, or in

Gardener's Corner Walter Frankl

meadows where the winter rains awaken them to new life after their summer sleep.

There are bulbs for every taste — for every season. Why not try some new kinds this season in your garden?

Bulbs, unlike seeds, are "pre-packed." They are miniaturized plants, complete with embryonic flowers, packed neatly into their own self-contained food parcel, composed of numerous bulb scales, which are specialized leaves.

If you cut a bulb in half from tip to base, you can actually see the individual leaves, the embryonic flower stalk, and the bud tightly compressed in the central cylinder.

Growing the flower needs only moisture and light. That is how daffodils, tulips, hyacinths and other bulbs can be forced to flower out of season, in winter, when they can do so much to brighten the grey days before the advent of spring.

When I speak of bulb flowers, I mean all plants that develop underground storage for food and moisture. Botanically, there may be differences among these underground sources, but the details of cultivation are the same for all of them. Here are their definitions:

Bulb. A usually subterranean modified leaf-bud, consisting of a short, thick stem and close-packed, fleshy scales or leaf bases, which

serve as a store-house (tulip).

Corm. A solid, swollen part of a stem, usually subterranean (crocus). **Rhizome.** Rootstock, a usually horizontal stem on or under the ground that sends up a succession of leaves or stems (German iris).

Tuber. A short, thick, usually subterranean stem or branch bearing buds or "eyes" and serving as storage (potato).

BEGINNERS should select the easy-to-grow bulb first. Every seed shop, every nursery, every florist in the country sells flower bulbs.

For people in and around Jerusalem, I can recommend the largest, best-organized and best-staffed nursery — "The Green House" at Motza, a branch of the Kibbutz Givat Brenner nursery.

They are now selling many kinds of tulips, daffodils, narcissi, Dutch irises, gladioli, calla lilies and madonna lilies. You will also find six different colors of hyacinths, anemones, ranunculi, freesia, Bethlehem bells, crocuses, sparaxis, ixias, muscari, alliums, and more.

In Haifa I found Mr. Aratens seed shop (established 60 years ago), 27 Derech Ha'atzmaut, the best one for garden bulbs.

For amateur gardeners in Tel Aviv and the vicinity, I would advise them to buy at Ben Shachar's seed shop, 8 Derech Petah Tikva, the oldest in town with not only a wide range of flower bulbs but also all kinds of seeds, even rare ones, fertilizers, garden tools, etc.

There will be more about bulbs in our next column.

WORLD SERIES: Twins 10, Cards 1

Gladden grand slam explodes Cards

by GARY HILL
MINNEAPOLIS, Reuter. — Dan Gladden's grand slam topped off an explosive seven-run fourth inning for the Minnesota Twins as they went on to beat the St. Louis Cardinals 10-1 in the opening game of the 84th World Series.

Gladden drove in five runs, half of the Twins' total, to give them a 1-0 lead in the best-of-seven championship of major league baseball.

St. Louis' left-handed starter Joe Magrane had held the Twins hitless through the first three innings and was protecting a 1-0 lead when Minnesota, the major league's best home-standing team this year, broke through.

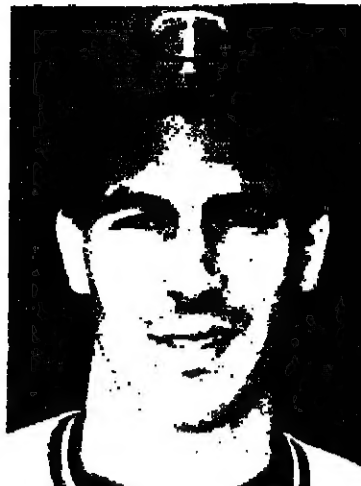
American League championship series' most valuable player Gary

Gaetti got them started with none out in the fourth, hitting the first of four successive Minnesota singles.

The fourth hit, a two-run ground-er up the middle by first baseman Kent Hrbek, put the Twins, the best team in baseball against left-handers this year, on top, 2-1.

After second baseman Steve Lombardozzi walked to load the bases again, St. Louis manager Whitey Herzog brought in veteran right-hander Bob Forsch, who promptly gave up a single to light-hitting catcher Tim Lincecum, making it 3-1.

Then came Gladden, in the lineup more for his speed than his power, with just eight homers in the regular season. With the count one ball and two strikes, the left-fielder



Steve Lombardozzi

sent the ball 386 feet into the left-center stands to raise the Twins' margin to 7-1.

In the next inning, Lombardozzi, who, like Gladden, had hit a mere eight homers in the regular season, lifted the score to 9-1 by hitting a 400-foot homer with Hrbek aboard, Hrbek had walked.

Gladden rounded out the scoring in the seventh inning by doubling home Lombardozzi, who scored three runs.

For the win, Minnesota starter Frank Viola — the winningest left-hander in baseball over the past four seasons — gave up just five hits and one run over eight innings to the National League champions Cardinals, the team with the majors' best away record.

Scalpers, celebrants have a great time

By TOM KRATTENMAKER
MINNEAPOLIS (AP). — Hundreds of hopeful ticket-buyers wound up with lighter wallets or disappointed outside the Metrodome as scalpers charged top dollar prices for tickets to the opening game of Minnesota's first World Series in 22 years.

Many of the prospective buyers tried to book deals with colorful get-ups and clever signs. "The Pope needs a ticket," read the banner carried by one man, who peppered his pitch with a promise of sainthood for any willing seller.

"Dad goofed. Need four tickets," read another. The woman carried it outside the Dome with her young son at her side, both wearing the ubiquitous "Minnesota Twins-World Series" sweatshirt.

Most of the prospective buyers were kicking themselves for winding up only with a sign outside the Metrodome when a simple mail order would have netted them tickets — at face value, no less — six weeks ago.

Denny Pierre, 36, of Plymouth, Minnesota, confessed it was his own disbelief that prevented him from sending in a cheque last month.

"The whole thing still is a little hard to believe," he said, wearing a sandwich-board sign with a design of the Statue of Liberty.

Those in the market for souvenirs had more success. Besides the usual Twins T-shirts and caps, vendors offered everything from "series sweaters", miniature brooms with a World Series logo, to "Dome plugs", ear-plugging foam designed to provide protection from the intense Metrodome din.

Downtown Minneapolis was alive with baseball celebrations, some traditional American pastime in fla-

vour, others with a unique Minnesota 1987 flair.

The biggest was a "homer hanky warm-up" block party on 5th street that attracted an estimated 9,000 fans on Saturday afternoon. Mayor Don Fraser was hoisted above the crowd in a cherry-picker to serve as chief waver of the hanky.

The affair was concluded with thousands of voices singing "Take me out to the ballgame." "This is crazy," bubbled Steve Schussler, a Chicago transplant and proprietor of the Minneapolis bar that sponsored the party.

Mansdorf climbs to top twenties

By JACK LEON
TEL AVIV. — Amos Mansdorf will climb from 30th to around 20th in the ATP world singles rankings, as a result of the 95 computer points he accrued for winning the ITC's Riklis Tennis Classic on Saturday. The total included 24 points for beating the world's No. 6 Jimmy Connors in the semi-finals and another 20 for getting past No. 12 Brad Gilbert in the final. Shlomo Glickstein got as high as 22nd in the standings.

Mansdorf is this week competing in the \$155,000 Nabisco Grand Prix in Vienna, where he will be among the eight singles seeds in the 32-strong main draw.

Gilad Bloom and Shahar Peris both gained their first Grand Prix titles of any kind, when they won the doubles together. The 50 points which Bloom collected lifts him from 155th to 80th on the ATP computer — making him the first Israeli since January to be among the top 100 players in the world doubles rankings.

Remarkably, Peris had never won a title when he quit the tennis circuit early this year for health reasons and decided to compete only at home. Then last April he took both the singles and doubles crowns at the ATP Challenger Series tournament in Jerusalem and now he has succeeded in Ramat Hasharon.

After watching the great performance of Shahar and Gilad on Saturday evening, Israel's Davis Cup coach Shlomo Zoref told me that he was hoping more than ever that Per-

is will return to the Davis Cup team as a doubles player for next February's first-round World Group away tie against Italy. In the meantime, there were plans for Shahar to compete in doubles in several tournaments abroad, in order to maintain his present top form.

Peris said that his success in the

Riklis ITC Classic has "whet my appetite for more tournaments and I will consider playing doubles in the Davis Cup if I am invited." However, later this month he was beginning his studies in economics at Haifa University and this academic life would be his main preoccupation for the next few years.

The MOPTC's Eduardo Menga and Micky Den Talsider were full of praise for the organization of the tournament, with the superb facilities at the Tennis Centre certainly making the Riklis Classic a candidate for a higher category of Nabisco Grand Prix competition than the present Regular Series rating. It was unique to have a capacity crowd at the semi-final of a Regular Series event, and it was also unprecedented to attract four players ranked among the top 30 in the world to such an event.

Old Jaffa casts its musical spell

MUSICA DA CAMERA — Chamber Music Festival in Old Jaffa organized by the Municipality of Tel Aviv-Yafo and The Old Yaffo Foundation. Musical director: Noam Sheriff (October 10-13).

THE SUCCESS of Musica da Camera in old Jaffa can only be described as a miracle. While chamber music concerts in Tel Aviv, during the regular season, are frequented only by the few, the musical connoisseurs who seek the most intimate form of musical communication, the Jaffa festival attracted thousands.

The 36 indoor events held in churches, clubs and small theatres, were all sold out (some 7,000 tickets were sold), with additional hundreds of people trying in vain to gain access to the various events. Thousands attended, free of charge, the open-air performances by orchestras and chamber ensembles taking place at different locations. The whole quarter was beautifully illuminated, the weather proved benevolent and the organization seemed excellent. In short, a truly sensational success, for which Mayor Lahat must be warmly complimented.

Not everything, of course, was perfect; acoustical conditions in many places must be improved, the repertoire must be widened, more artists of stature should participate, and Israeli composers should not be so hurtfully ignored.

This listener spent three of the four nights (concerts started at 5 p.m. and lasted till after midnight) at the festival, attending seven concerts altogether.

James Coitz, at the Emmanuel Church (October 10), played Bach's organ music correctly but uninsign-



ificantly. The early Baroque, however, with works by Schutz, Fontana, Frescobaldi, Chastello and Carissimi, was infused with drama and powerful emotional expression by four excellent musicians, soprano Jill Feldman from France and three instrumentalists (recorders and harpsichord) from Holland (Hassima Theatre, October 10).

ONE OF THE most original programmes of the whole festival was undoubtedly presented by the Mandel Quartet from Budapest (St. Peter's Church, October 11). The group performs on the hardy-gurdy, recorders, cello, percussion and harpsichord. The hardy-gurdy is a strange medieval instrument which survived the changes of time, reached its golden age in the 18th century and is today experiencing a most surprising revival. The programme of the quartet consisted of music ranging from the 13th to the 18th century, both art and folk music. Mr. Mandel, the musical director of the ensemble, is probably one of the greatest living virtuosos of the hardy-gurdy and what he gave us was truly breathtaking.

With the strange sounds produced by this group still in our ears we went to listen to some of Mozart's piano quartets performed by the Tel Aviv Piano Quartet (Hassima, October 11). Regrettably, Mozart and listeners alike were treated badly. The excellent Yigal Tureh, who was

supposed to play the first violin, was replaced by Moshe Murvitz, who antagonized and irritated.

This second evening of the festival ended, however, with an exciting presentation of cabaret songs by Schoenberg and Britten by pianist Idith Zvi and soprano Gilah Yaron (Calif, October 11).

The Albert Schweitzer Woodwind Quintet from Germany is motivated by a youthful, exuberant spirit and its readings of Haydn, Zemlinsky and Hindemith were not only flawless but tremendously alive and highly refreshing. (Hassima Theatre, October 13).

For this listener, the festival ended with a rare peak, a deeply moving performance of the Beethoven sonatas for piano and cello by Pinna Saltzman and Uri Wiesel. Each of the artists preserved full independence of phrase, articulation and expression yet at the same time created a wonderful coherence and unity. The performance seemed to shed all material substance, moving into pure spirituality (Hassima, October 13).

And to conclude. For four nights, magical Old Jaffa cast its spell over musicians and audiences. People seemed different, transformed, happy. A wonderful experience.

BENJAMIN BAR-AM

Mornings at the Sheraton Jerusalem Plaza begin with a good breakfast — and The Jerusalem Post

The Sheraton Jerusalem Plaza Hotel distributes complimentary copies of The Jerusalem Post to guests every day.



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Open Letter to Secretary Schultz

Hon. George Schultz
Secretary of State of the United States

Dear Mr. Secretary:

More futile than the flat earth theory, squaring the circle, or hoping for a balanced U.S. budget, are U.S. Mideast aims now wasting your time, in false quest of a "comprehensive peace", between two irreconcilable claims to the Holy Land; between God and His Bible-propheesied restored Israel on one hand vs. Palestinianism and a spectrum of peace-posturing politics, on the other.

In Genesis 17:8-21 and scores of Bible passages, God decreed the title to the Holy Land to Israel forever, "all the land of Canaan for an everlasting possession". He gave vast territories to the sons of Ishmael and Esau, but in that Gen. 17 passage, explicitly denied them rule of any of what men blind to His Bible, and blind to present history, still call "Palestine". Which, since the 1948-till-now pan-Arab war tried to destroy Israel, has fulfilled Isaiah 14:31, "Thou whole Palestina, art dissolved". Dissolved is dissolved!

Sixty five years ago the United States, in signing the Congressionally ratified Treaty of Sevres (by the U.S. Constitution, that makes the "Arabist" connivings against Israel of the last sixty-odd years illegal) agreed with the Almighty, to the Jewish claim. All nations, by signing that Treaty, or the League of Nations or UN covenants; including the Arabs, by Emir Faisal's thus gaining their 97% of the Turkish Empire (including lands of Kurds, and of Assyrians Iraqis soon murdered) formally and forever agreed that the 3% then called "Palestine" should be reclaimed by its long exiled Jewish owners.

Despite treacherous British, UN, Arab and "Rogers Plan" Arabist attempts to renege on that pledge (none succeeded, nor ever can), God in Whom America trusts, seems determined to hold nations and history to that pledge!

Is it not futile, sir, to fight Him with a false "peace process"? What but war could result from Israel inviting new Pan-Arabist aggression, by yielding vital parts of her God-given patrimony; trying to satisfy Palestinianist lies and murderous intent to destroy her? Does fighting the Bible-declared will of God, encouraging Arabs in Israel to seek a "Palestinian nation", help peace?

The Hebrew-Phoenician root-meaning of "Philistine", "Phlistim", "Falastin" is "phlat", meaning "squatter"! Without U.S. encouragement of that false and unjust war-gendering Palestinianist ambition, most Arabs here would prefer Israeli peace to PLO, pan-Arab and "jihad" war! Many of them would prefer equal rights under Israeli rule, that Ezekiel 47:22, the Balfour Declaration (a unanimous international law) and Israeli law guarantee them.

Why not uphold that genuine, just and real peace, and put America on the side of the Prince of peace, the Author of America's Bible foundation and of her and Mideastern only Hope, the unsleeping Guardian and Restorer of Israel?

Cannot America find a more promising path for peace, sir, than futile aims that can only overturn Israel's rights and peace, against the Word of God? Prayerfully for America to be wiser for peace, worthier of its Bible roots.

Grant B. Livingstone, for Genesis 12:3 Committee
POB 24116, Jerusalem

Behind the plummeting U.S. stock markets

Concern over rising interest rates

NEW YORK (Reuters). — U.S. signals that it might be willing to let the dollar dip further reflect growing administration frustration over rising interest rates and an inflation psychology that threatens economic recovery.

In the past several days, U.S. officials including Treasury Secretary James Baker and Federal Reserve Board chairman Alan Greenspan have been telling almost anyone who would listen that interest rate increases were not justified by either current inflation or expected inflation.

The extent of administration concern over rapidly rising interest rates that have helped send the stock market plummeting in recent days was reflected at a White House news conference by Baker and chief economic adviser Beryl Sprinkel.

Baker made it clear he was unhappy with moves by the West German Bundesbank to raise key interest rates and by rapid rises in U.S. financial markets.

"A rise in rates is not a trend that we favour," Baker told reporters. Baker's statement indicated the United States would be willing to let the U.S. dollar decline rather than see interest rates rise and risk choking the current economic expansion, financial analysts said.

There has been widespread speculation that the U.S. Federal Re-



Alan Greenspan (Reuters)



James Baker (AFP)

serve would raise its key discount rate from the current six per cent following West German moves to raise rates.

But Greenspan and other Fed Board members, obviously concerned about jittery financial markets, have said the inflation fears may be exaggerated and the economic fundamentals would not suggest U.S. inflation is about to rage out of control.

Some economists say they are at a loss to explain the profound market upheavals.

"I can't use any economics to describe what was going on in the past couple of days," Mickey Levy, se-

nior economist of Fidelity Bank in Philadelphia said.

The Dow Jones Industrial Average fell 260 points in three days, including a fall of more than 100 points on Friday.

Robert Hormats, an economist with Goldman Sachs and Co. said the market gyrations had "caught people by surprise and I suspect Reagan officials were surprised too." He said lack of progress on the trade deficit increased the belief that the dollar would have to fall further to help bring about an improvement.

However, if the dollar were to fall

too much, interest rates would climb and this would lead to more inflation.

Reagan policymakers want to keep the U.S. economic expansion, now in its 59th month, going so that Republicans can enter next year's presidential elections from a position of strength.

Interest rate increases, either here or abroad, can quickly torpedo economic growth as companies and individuals slow investments because of their growing cost.

But if the dollar falls too far, it means that imports will cost more, adding to inflation.

Baker said interest-rate increases in West Germany did not spell the end of the dollar accord in which the seven leading industrial nations agreed to stabilize currency values. But he said the increases were not well received.

The rate increases were inconsistent with "the spirit of our recent consultations," Baker said.

As part of the effort to stabilize currencies, the United States has said it would reduce its budget deficit and called upon the West Germans and Japanese to stimulate their economies in order to help global economic recovery.

The Republican Party obviously would be unhappy going into next year's presidential elections with a recession.

'Peres's M.E. Marshall Plan is only a lot of empty words'

By WALTER RUBY.
UNITED NATIONS—A Soviet delegate here has dismissed Foreign Minister Shimon Peres's call for an international "Marshall Plan" to help economically hard pressed Arab nations as "empty words."

In comments to *The Jerusalem Post* here, Ernest Obiminsky, director of the Soviet Foreign Ministry's Department of International Economic Organizations, remarked, "The economic problems of the Middle East cannot be discussed and solved without considering the political situation...which must have priority. As things stand, (Israel) does not pay attention to the political crisis, but speaks instead of Marshall Plans...I think these are only empty words."

Obiminsky called on the international community to "reduce interest payments on bank credits to de-

veloping countries...to limit the annual debt-service payments of each developing country to a fixed portion of its annual export earnings."

Obiminsky said that while the Soviet Union has not yet applied to join the World Bank and International Monetary Fund, "We are ready for formal contacts with those organizations."

Obiminsky added that the Soviet Union had decided to reverse earlier policies and pay an estimated \$195 million in dues it owes to the U.N. because, "The U.N. is a universal body and all nations should have a common responsibility...There are aspects of the U.N. we like and others we do not...But according to our new thinking we should take it as a package and behave properly...If all countries pay their obligations, we'll have an effective international system."

New English daily for Paris

PARIS (AFP). — British press magnate Robert Maxwell plans to launch an English-language European daily newspaper on January 1, 1989, to be produced in Paris, Maxwell announced here recently.

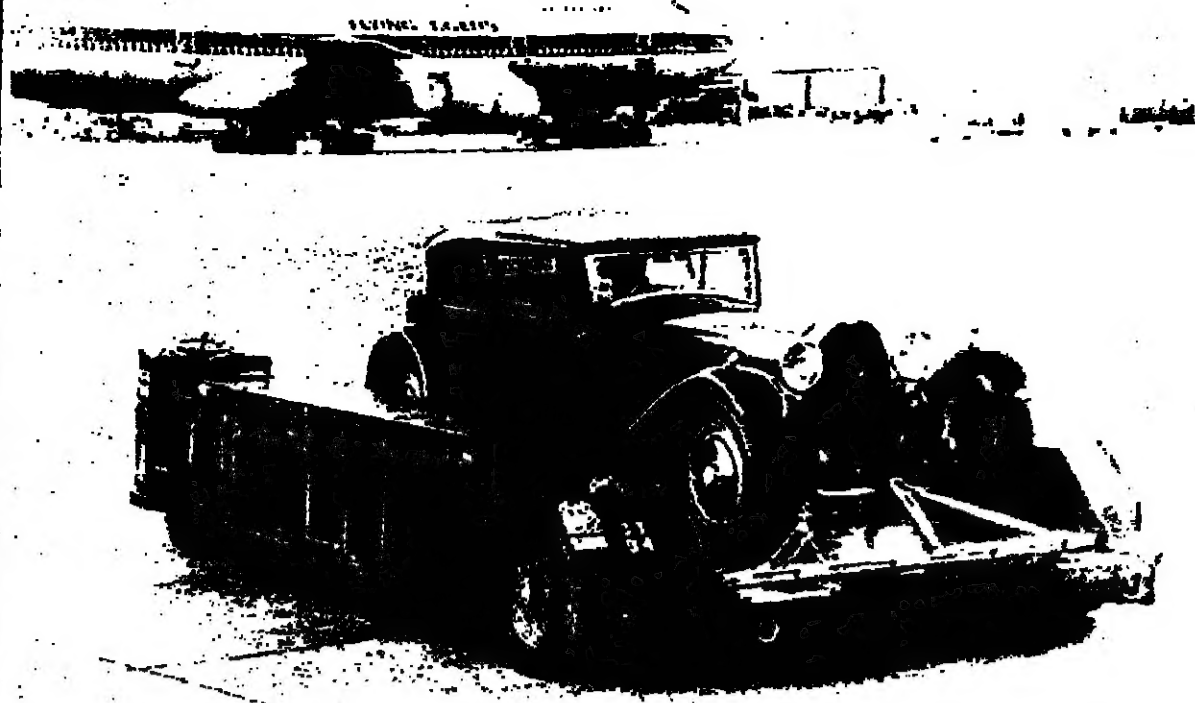
The paper, called the *European Daily*, will be published five days a week. It will be aimed at the "man in the street" and will be similar to the U.S. paper *USA Today*. The *European Daily* will have a small format and offer general news about European countries, both in and outside the European Community. There will also be one page devoted to Eastern bloc nations. Maxwell added that he hoped the unified EC internal market planned for the end of 1992 would stimulate the newspaper industry.

The new publication will also deal with scientific and medical developments. The Maxwell group is a world leader in this field, and publishes about 350 scientific reviews in Britain.

Working through his group and its affiliates this year, Maxwell acquired a 12.5 per cent of the share capital in the French TFI television network, in which he is the most influential shareholder after French construction millionaire Francis Bouygues, as well as two-thirds of the share capital of Agence Centrale de Presse, which is managed by his son, Ian Maxwell.

Observers said that the failure earlier this year of Maxwell's *London Daily News* after five months, with a loss of tens of millions of pounds, and his unsuccessful attempt to take control of the southern French daily, *Le Provençal* have apparently not affected his morale.

Last month, he suggested to the Japanese daily *Yomiuri Shimbun* a plan for joint publication of an English-language "Japan daily," to be printed simultaneously in New York, San Francisco, London and Tokyo.



The ultimate collectors car, a 1931 Bugatti Royale, awaits collection at London Heathrow Airport. The car, one of only six ever made, is to be auctioned at the Royal Albert Hall in London on November 19 and is expected to make \$5 million.

(Reuters)

More arrests due in Guinness case

BY DAVID HOROVITZ
Jerusalem Post Correspondent
LONDON.—Last Thursday's arrest of merchant banker Roger Seelig has broken the Jewish monopoly on the Guinness scandal. But there are understood to be at least five further arrests in prospect, and it seems certain that the last prominent member of England's Jewish community has yet to step through the oak-paneled doors of Bow Street Magistrates' Court.

Inevitably, given that the first four arrested in this affair were all Jewish — former Guinness chairman Ernest Saunders, stockbroker Tony Parnes, financier Sir Jack Lyons and tycoon Gerald Ronson — complaints have been heard that this is, at heart, a Jewish "witch-hunt," conducted by the fraud squad to get rid of the City's "kosher nostrum," as the "Daily Mail" aptly if unkindly referred to them.

Objectively, however, this is most unlikely to be the case, particularly since the news media, for the most part, has not even referred to the Jewish origin of the defendants.

When *The Jerusalem Post* telephoned Seelig's former employers at Morgan Grenfell, indeed, to ask whether the former corporate finance director had made five out of five for the Red Sea pedestrians, the merchant bank's public relations department was completely unaware of the fact that his four predecessors in the dock at Bow Street were Jewish.

Rather than any anti-Semitic purge on the part of the fraud squad then, the preponderance of Jews in the headlines surely stems from the fact that the operation to bolster Guinness's share price at the time of its takeover battle for Distillers was

known by its organizers to be, at best, slightly dodgy. Seelig, allegedly, masterminded the planning, but when Saunders needed the funding, it was his Jewish contacts — allegedly through Lyons — that he turned to, knowing that they could be relied upon both to welcome the opportunity for making a fast buck, and to keep quiet about it afterwards.

Keep quiet they did, and it was not until New York insider-dealer extraordinaire Ivan Boesky began singing about Guinness, in a bid to escape imprisonment on a host of other charges, that the Department of Trade (DTI) here was alerted and began investigating the takeover, eight months after the event.

It seems hard to believe that, in all that time, Guinness's auditors had failed to notice the disappearance of a piffing 25 million pounds. But once the DTI brought it to their attention, the heads began to roll. Saunders was dismissed by Guinness, Seelig left Morgan Grenfell, and the new Guinness management cooperated with, indeed pushed the DTI investigation along, in the hope of recovering that £25m., allegedly paid out by Saunders in fees to the businessmen who'd obliged him by buying shares in Guinness in the crucial weeks of the takeover battle.

Ronson admitted receiving money in this way back in January, presumably when he realized that the share support cover-up was beginning to unravel. His £5.8m. payment, returned to Saunders's successor Sir Norman MacFarlane, consisted of a £5m. "success fee" — paid once Guinness had successfully beaten out Argyll for the £82.7b. Distillers takeover — and an £800,000 "insurance payment",

which represented compensation to Ronson for losses incurred in selling off his Guinness shares at a price rather lower than that for which he had bought them.

Apart from Ronson's £5.8m. several other payments from the £25m. "inducement fund" have been returned, among them a £1.5m. sum that had been paid to Erlanger & Co., a subsidiary of Ephraim Margulies' S&W Berisford commodity company.

Since Ronson has been indicted despite returning his fee, it would be reasonable to suppose that Margulies has been holding conversations with his lawyers in recent days, especially as another Berisford subsidiary in America also bought £2.8m. worth of Guinness shares at takeover time. Margulies has stated, however, that this share purchase was made at the U.S. company's own initiative, and thus has no bearing on "Guinnessgate".

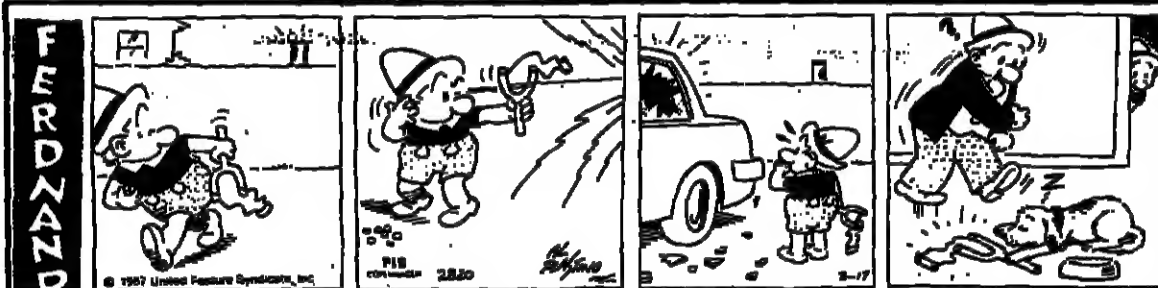
The fraud squad's spotlight is expected to turn to the U.S. this week, with investigation leader Det. Supt. Richard Botright reportedly planning to interview Boesky, who bought shares in Guinness and Distillers and who may have participated in the share support operation.

Also likely to come in for questioning are:

* Former Guinness finance director Olivier Roux, who is believed by some to have avoided charges thus far only by giving evidence against his former business associates.

* Washington-based lawyer Thomas Ward, another former Guinness board member who is understood to have been the linkman between Saunders and Boesky, and

(Continued on page 7)

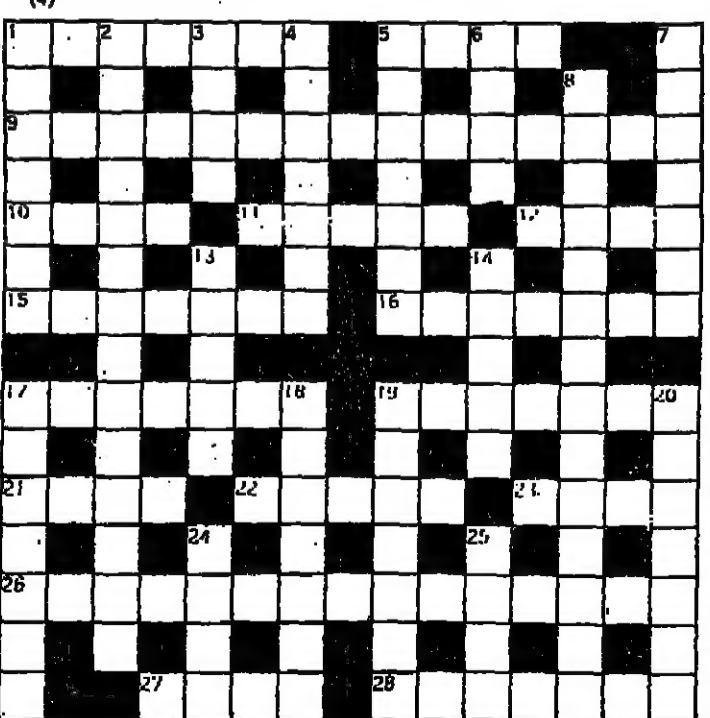


CROSSWORD

- ACROSS
1 & 5 Flier in a flap, not knowing the words to sing (7,4)
9 It gives out in income, leaving Max nothing but put out (16)
10 Understood to be all right (4)
11 Ought to be lenacious; and is (5)
12 Ten served at the end of a chess game? (4)
15 Suggest writing about an Italian flower (7)
16 Trunk call in the wind (7)
17 Darlings of modern music makers? (7)
19 Looping the loop is a danger to road-users (7)
21 Isn't a cardinal point, observe (4)

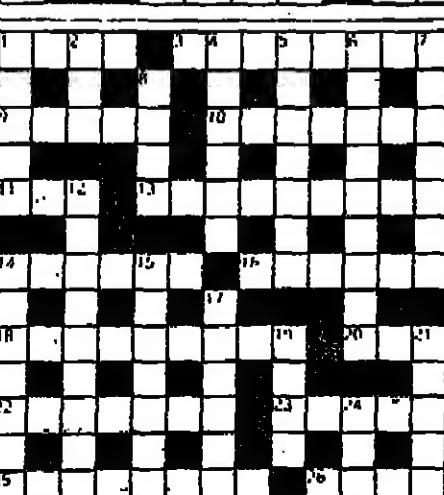
- DOWN
22 Slip outside Egypt's capital for concord (5)
23 Time to be sorry and adjust (4)
25 Such a conveyance seems putting the cart before the horse (8,7)
27 Handled soft material (4)
28 He is found among a motley crowd of milk-producers (7)

- 4 Stick around a Greek island for a source of energy (7)
5 Girl game at the start (7)
6 Bring up at the stern (4)
7 Happy in substance (7)
8 It's a proper map I find put to a wrong use (14)
13 & 14 Expensive guest accommodation in silhouette form (5,8)
17 Terribly affected over a cut in pay (7)
18 Said to be a rebuff albeit cunning (7)
19 Main way to describe 22 (7)
20 Miles indeed upon being corrected (7)
24 Highly-strung quiet (4)
25 Source of quiet noise at the foot of the head (4)



Yesterday's Solution
BANNER SCABARD
O R A X O U L O
O L I N T A T I O N
K E T T T C A
M A I L A D O N C H I
A U S U O U T E
R A I N I E R U O L A
K E D R L O I A
H E G L I V E R A L I E
A S H W L I V E R A L I E
N A S S U N E
D I S T R I B U T I O N
I T A U S C V
N E E D F I R E C H A R G E

QUICK SOLUTION
ACROSS: 1 Shooting, 7 Alien, 8 Luciferous, 9 Cam, 10 Duel, 11 Blench, 13 Bulger, 14 Clinch, 17 Lander, 18 Writ, 20 Ten, 22 Lasting, 23 Rowe, 24 Hapless, DOWN: 1 Solid, 2 Obliment, 3 Tuck, 4 Nouelle, 5 Pitch, 6 Anemone, 7 Assault, 12 Tumble, 13 Bustard, 16 Torture, 16 Chaste, 17 Laden, 19 Trees, 21 Limp.



QUICK CROSSWORD

- ACROSS
1 Black thorn fruit (4)
3 Advancement (8)
9 Turn out (8)
10 Engine-room rating (7)
11 Tree (3)
12 Stamp-collecting (8)
14 Courtesan (6)
16 Rely on (6)
18 Criminal court (1,6)
20 Prevalence (3)
22 Ling (7)
23 Crystal clear (5)
25 Mincing (8)
26 Competed (4)

- DOWN
1 Root vegetable (5)
2 Japanese cash (3)
4 Jet back (6)
5 Hand-thrown explosive (7)
6 Seagull (anag.) (5,3)
7 Wandered (7)
8 Discontinue (4)
12 Sensational play (9)
14 Suez (7)
15 Small restaurant (7)
17 Former English coin (6)
19 Scrump (4)
21 Tiny insect (5)
24 Young lion (3)

GENERAL ASSISTANCE
EMERGENCY PHARMACIES

Jerusalem: Kupat Holim Clalit, Roma, 523181; Belsam, Salah Eddin, 272115; Shufan, Shufan Road, 510106; Der Aldeia, Herod's Gate, 222058; Tel Aviv: Habima, 17 Dizengoff, 289465; Hashia-Kupat Holim Maccabi, 7 Hashia, 483371/6 (ext.43); Ramat Gan: Kfar Sava, Shual, A. Joffe, Ramat Gan, 22942; Netanya: Netanya, 11 Rehov Herzl, 22942; Kiryat Arca: Moros Menachem, 29 Shalom Yerushalayim, Kiryat Yam Araf, 758441; Haifa: Kupat Holim Maccabi, 6 Yafef, 672472.

DUTY HOSPITALS

Jerusalem: Bitur Holim (pediatrics, E.N.T.), Hadesah Ein Kerem (internal, surgery, orthopedics, ophthalmology); Migdal Leish (laboratory); Tel Aviv: Rosh (pediatrics, internal, surgery); Netanya: Laniado.

POLICE 100

Dial 100 in most parts of the country. In Tiberias dial 524444, Kiryat Shmona 4444.

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24 - Hours Flight Information Service. Call 03-5712484 (toll-free), Arrivals Only (Taped Message) 03-581111 (20 lines).

FIRE 102

In emergencies dial 102. Otherwise, dial number of your local station as given in the front of the phone directory.

FIRST AID 101

Magen David Adom
In emergencies dial 101 in most parts of the country. In addition:

Ashdod 51332 Jerusalem 523133
Ashkelon 23333 Kiron 344442
Bat Yam 531111 Kiryat Shmona 54294
Beer Sheva 74767 Nahariya 522233
Carmel 588222 Netanya 72333
Dan Region 781111 Petah Tikva 5231111
Eilat 72333 Rehovot 461333
Hadera 52233 Rishon LeZion 4233
Haifa 512233 Sotaf 83033
Hatzor 536333 Tel Aviv 5480111
Holon 58133 Tiberias 750111

* Mobile Intensive Care Unit (MICU) service in the area around the dock.
Eilat - Eilat First Aid, Tel. Jerusalem 227171, Tel. Aviv 5481111 (children/youth 03-261113), Haifa 672222, Beer Sheva 418111, Netanya 35315.
Rape-Crime Centre (24 hours, for help call Tel. Aviv 226518, Jerusalem - 245554, and Haifa 650111).
The National Police Control Centre at Ramat Hashikma, phone (04) 528205, for emergency calls, 24 hours a day, for information in case of poisoning.
Ramat Hashikma Information Centre Tel. 03-433300, 433600 Sunday-Thursday, 8 a.m. to 8 p.m. Friday 8 a.m. to 3 p.m.

Good News for Holders of Blocked Bank Shares

If you hold blocked bank shares, you will recall that at the end of October 1989 you may receive an amount in new sheqels (NIS) equal to \$134 for every \$100 worth of shares held by you on October 6 1983.

You also have a right of early redemption in respect of these shares. If you exercise this right and give notice to your bank by October 20 1987 you will receive at the end of October a sum in new sheqels (NIS) equal to \$112 for every \$100 worth of shares held by you on October 6 1983.

However, before deciding when to redeem your shares, you should be aware of the additional new advantages of the shares, which have changed them into a unique form of investment in the Israeli money market.

Now that you know all the terms, you can consider and decide for yourself what is best for you. If you prefer not to redeem your shares now and to enjoy the improved terms - just don't do anything! The improved terms will automatically apply to all the shares whose owners do not give alternative instructions to their banks.

So don't redeem your bank shares before checking what is best for you.

Ministry of Finance

